

# STATE OF IDAHO

Fiscal Year 2001  
July 1, 2000 - June 30, 2001

# **General Fund Revenue Book**

- Economic Forecast
- Revenue Projections
- Tax Expenditure Budget



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State of Idaho  
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# **General Fund Revenue Book**

**FY 2001 Executive Budget  
January 2000**

- Economic Forecast
- Revenue Projections
- Tax Structure

prepared by the Division of Financial Management

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# INTRODUCTION

The basis for most of the revenue projections made in this book is the *Idaho Economic Forecast* published by the Division of Financial Management (DFM), which in turn is based on the Idaho Economic Model (IEM)<sup>1</sup>. Each major revenue category (personal income tax, sales tax, and corporate income tax) is specified as a function of relevant explanatory variables.

Although the revenue model is specified in precise quantitative terms, two levels of uncertainty exist. The first of these uncertainties is associated with the statistical process itself and hence may be reduced to probabilities and confidence intervals. The other is related to the uncertainties associated with unknown future events. Weather effects on agriculture are a classic example. A forecast of agricultural production must either assume average weather or project some specific future weather condition. The forecast is contingent upon that assumed weather pattern actually occurring. Some other weather pattern will result in a different outcome for both farmers and the myriad of entities dependent upon the fortunes of farmers.

The contingent nature of an agricultural model demonstrates the uncertainty associated with any model containing exogenous variables. Both sources of forecast error are present in any model that is dependent on explanatory variables. Since most of Idaho's revenue sectors depend heavily on Idaho income levels, the revenue forecast is particularly sensitive to those factors that influence Idaho's income.

The major foundation of the IEM is economic base theory. Idaho's economy can be divided into "basic" and "domestic" activities (also known as "export" and "residential"). The basic activities, such as agriculture, forestry, mining, manufacturing, tourism, and exported services are characterized by a major dependence on external forces; while domestic activities like construction, trade, local services, and public utilities are characterized by a dependence on influences from within the State. The idea is that basic activities form the foundation of Idaho's level of economic activity, while domestic activities essentially follow from basic activities. While not a perfect theory, economic base theory does serve as a useful means of identifying the driving forces behind Idaho's overall level of economic activity.

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<sup>1</sup> The IEM is in turn based on the Standard and Poor's DRI (DRI) Quarterly Model of the U.S. Economy. Descriptions of both are available in the current *Idaho Economic Forecast*, Division of Financial Management.

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## *Idaho Economic Forecast*

The following tables and text are taken from the  
January 2000 *Idaho Economic Forecast*,  
a publication produced by the  
Division of Financial Management.



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## EXECUTIVE SUMMARY

The outlook for the state's economy has changed little since the October 1999 *Idaho Economic Forecast* was released. At that time it was projected that after booming for several years, the Gem State's economic growth would take a breather and expand slower over the forecast period. It is important to note that while growth is forecast to slow, it is not expected to stall or decline. As such, the state's growth streak that began in 1987 should continue over the foreseeable future. It is anticipated that Idaho nonfarm employment growth will drift down to 2.1% in both 2000 and 2001 then rise to 2.4% in 2002, and 2.5% in 2003. While this is low compared to recent years' increases, it is still faster than its national counterpart. National growth is not expected to increase by more than 2.0% in any year of this forecast. Idaho nominal personal income should chug along at a 5.5% to 6.0% annual pace over the forecast horizon. As is the case with employment, Idaho nominal personal income should grow faster than national nominal personal income. Adjusted for inflation, Idaho personal income is anticipated to rise 4.6% in 1999, 3.8% in 2000, 3.6% in 2001, 3.3% in 2002, and 3.4% in 2003. National personal income is expected to advance 4.1% in 1999, 3.4% in 2000, 3.2% in 2001, 2.4% in 2002, and 2.5% in 2003.

The U.S. economy continued to grow as it reached the end of the 2<sup>nd</sup> millenium. Already it's the longest peacetime expansion, and in February 2000 it will be the longest expansion on record. Despite its long run, the economy shows few signs of slowing down. In fact, some signs show it is actually speeding up. After growing at a 1.9% annual rate in the second quarter of 1999, real GDP posted a 5.7% showing in the following quarter. Early estimates suggest it grew about 5.0% in the fourth quarter of last year. Overall, real GDP is believed to have grown 3.9% in 1999, well above almost every estimate of its potential. Another measure that has outperformed almost every expectation has been employment. Last year the U.S. civilian unemployment rate averaged 4.2%, which is about one and a half percentage points below a reasonable estimate of full employment. Given the tight labor market, one would expect to see inflationary pressures surfacing. However, inflation has been relatively tame. In fact, employee compensation growth actually slowed from 3.5% in 1998 to 3.1% in 1999. Energy prices did rise significantly in 1999, but this jump was from depressed levels. Even with the surge in energy prices, consumer inflation was just 2.2% last year. As it prepares to break the expansion record, the economy is more aptly described as hitting full stride versus being on its last leg.

# IDAHO ECONOMIC FORECAST

## EXECUTIVE SUMMARY

JANUARY 2000

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>GDP (BILLIONS)</b>										
Current \$	7,054	7,401	7,813	8,301	8,760	9,228	9,671	10,159	10,649	11,213
% Ch	7.2%	4.9%	5.6%	6.2%	5.5%	5.3%	4.8%	5.0%	4.8%	5.3%
1992 Chain-Weighted	6,729	6,912	7,165	7,488	7,810	8,113	8,386	8,676	8,939	9,226
% Ch	5.0%	2.7%	3.7%	4.5%	4.3%	3.9%	3.4%	3.5%	3.0%	3.2%
<b>PERSONAL INCOME - CURR \$</b>										
Idaho (Millions)	20,628	22,062	23,418	24,651	25,901	27,524	29,056	30,615	32,329	34,254
% Ch	5.9%	7.0%	6.1%	5.3%	5.1%	6.3%	5.6%	5.4%	5.6%	6.0%
Idaho Nonfarm (Millions)	19,979	21,371	22,644	23,958	25,254	26,783	28,296	29,836	31,530	33,432
% Ch	8.9%	7.0%	6.0%	5.8%	5.4%	6.1%	5.6%	5.4%	5.7%	6.0%
U.S. (Billions)	5,888	6,201	6,547	6,951	7,359	7,783	8,188	8,592	8,992	9,442
% Ch	6.8%	5.3%	5.6%	6.2%	5.9%	5.8%	5.2%	4.9%	4.6%	5.0%
<b>PERSONAL INCOME - 1992 \$</b>										
Idaho (Millions)	19,674	20,582	21,412	22,170	23,075	24,147	25,059	25,954	26,808	27,728
% Ch	3.7%	4.6%	4.0%	3.5%	4.1%	4.6%	3.8%	3.6%	3.3%	3.4%
Idaho Nonfarm (Millions)	19,054	19,937	20,705	21,547	22,499	23,496	24,404	25,294	26,145	27,062
% Ch	6.7%	4.6%	3.8%	4.1%	4.4%	4.4%	3.9%	3.6%	3.4%	3.5%
U.S. (Billions)	5,616	5,785	5,986	6,251	6,556	6,827	7,061	7,284	7,456	7,643
% Ch	4.6%	3.0%	3.5%	4.4%	4.9%	4.1%	3.4%	3.2%	2.4%	2.5%
<b>HOUSING STARTS</b>										
Idaho	12,768	9,362	9,222	8,858	10,124	10,128	10,020	10,137	10,009	10,153
% Ch	11.5%	-26.7%	-1.5%	-3.9%	14.3%	0.0%	-1.1%	1.2%	-1.3%	1.4%
U.S. (Millions)	1.446	1.361	1.469	1.476	1.623	1.665	1.573	1.585	1.556	1.567
% Ch	12.0%	-5.9%	7.9%	0.5%	10.0%	2.6%	-5.5%	0.7%	-1.8%	0.7%
<b>TOTAL NONFARM EMPLOYMENT</b>										
Idaho (Thousands)	461.2	477.4	492.6	508.8	521.6	535.7	547.1	558.8	572.2	586.2
% Ch	5.6%	3.5%	3.2%	3.3%	2.5%	2.7%	2.1%	2.1%	2.4%	2.5%
U.S. (Millions)	114.1	117.2	119.6	122.7	125.8	128.6	130.6	132.5	133.9	135.5
% Ch	3.1%	2.7%	2.1%	2.6%	2.6%	2.2%	1.6%	1.4%	1.0%	1.2%
<b>FINANCIAL MARKETS</b>										
Federal Funds Rate	4.2%	5.8%	5.3%	5.5%	5.4%	5.0%	5.5%	5.5%	5.5%	5.5%
Bank Prime Rate	7.1%	8.8%	8.3%	8.4%	8.4%	8.0%	8.5%	8.5%	8.5%	8.5%
Mort Rate, New Homes	7.5%	7.9%	7.8%	7.7%	7.1%	7.2%	7.7%	7.2%	7.0%	7.1%
<b>INFLATION</b>										
GDP Price Deflator	2.1%	2.1%	1.8%	1.7%	1.2%	1.3%	1.4%	1.6%	1.8%	2.0%
Personal Cons Deflator	2.1%	2.2%	2.0%	1.7%	0.9%	1.6%	1.7%	1.7%	2.2%	2.4%
Consumer Price Index	2.6%	2.8%	2.9%	2.3%	1.6%	2.2%	2.3%	2.1%	2.6%	2.8%

**National Variables Forecast by Standard and Poor's DRI**  
**Forecast Begins the THIRD Quarter of 1999**

# IDAHO ECONOMIC FORECAST

## EXECUTIVE SUMMARY

JANUARY 2000

	2000				2001				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>GDP (BILLIONS)</b>												
Current \$	9,492	9,605	9,732	9,857	9,997	10,106	10,212	10,324	10,457	10,580	10,711	10,848
% Ch	3.3%	4.9%	5.4%	5.2%	5.8%	4.4%	4.3%	4.5%	5.3%	4.8%	5.1%	5.2%
1992 Chain-Weighted	8,275	8,346	8,423	8,498	8,583	8,647	8,707	8,768	8,838	8,902	8,971	9,043
% Ch	1.7%	3.4%	3.8%	3.6%	4.1%	3.0%	2.8%	2.9%	3.2%	2.9%	3.1%	3.2%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	28,567	28,897	29,196	29,563	30,014	30,416	30,821	31,209	31,666	32,101	32,550	32,999
% Ch	6.9%	4.7%	4.2%	5.1%	6.2%	5.5%	5.4%	5.1%	6.0%	5.6%	5.7%	5.6%
Idaho Nonfarm (Millions)	27,772	28,131	28,468	28,814	29,247	29,637	30,034	30,426	30,882	31,307	31,743	32,186
% Ch	6.5%	5.3%	4.9%	5.0%	6.1%	5.4%	5.5%	5.3%	6.1%	5.6%	5.7%	5.7%
U.S. (Billions)	8,049	8,139	8,231	8,332	8,449	8,549	8,640	8,731	8,842	8,940	9,041	9,144
% Ch	5.5%	4.6%	4.6%	5.0%	5.7%	4.8%	4.4%	4.3%	5.2%	4.5%	4.6%	4.6%
<b>PERSONAL INCOME - 1992 \$</b>												
Idaho (Millions)	24,775	24,970	25,137	25,355	25,632	25,856	26,071	26,259	26,491	26,701	26,915	27,122
% Ch	5.0%	3.2%	2.7%	3.5%	4.4%	3.5%	3.4%	2.9%	3.6%	3.2%	3.2%	3.1%
Idaho Nonfarm (Millions)	24,086	24,309	24,510	24,713	24,977	25,193	25,405	25,600	25,836	26,041	26,248	26,454
% Ch	4.6%	3.8%	3.4%	3.4%	4.3%	3.5%	3.4%	3.1%	3.7%	3.2%	3.2%	3.2%
U.S. (Billions)	6,980	7,033	7,086	7,146	7,215	7,267	7,308	7,346	7,397	7,436	7,476	7,516
% Ch	3.6%	3.1%	3.1%	3.4%	3.9%	2.9%	2.3%	2.1%	2.8%	2.1%	2.2%	2.2%
<b>HOUSING STARTS</b>												
Idaho	9,850	9,957	10,074	10,198	10,205	10,180	10,112	10,050	10,042	10,020	9,995	9,981
% Ch	1.5%	4.4%	4.8%	5.0%	0.3%	-1.0%	-2.6%	-2.4%	-0.3%	-0.9%	-1.0%	-0.6%
U.S. (Millions)	1,574	1,561	1,568	1,589	1,597	1,590	1,578	1,573	1,567	1,558	1,550	1,549
% Ch	-9.0%	-3.3%	1.8%	5.5%	2.1%	-1.8%	-3.1%	-1.1%	-1.5%	-2.5%	-1.9%	-0.3%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho (Thousands)	543.3	546.3	548.4	550.5	553.7	557.1	560.5	563.7	567.1	570.5	573.9	577.1
% Ch	3.0%	2.2%	1.6%	1.5%	2.4%	2.4%	2.5%	2.4%	2.4%	2.4%	2.4%	2.3%
U.S. (Millions)	129.9	130.4	130.9	131.4	131.9	132.4	132.7	133.1	133.4	133.7	134.1	134.4
% Ch	1.3%	1.5%	1.5%	1.7%	1.6%	1.4%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%
<b>FINANCIAL MARKETS</b>												
Federal Funds Rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Bank Prime Rate	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Mort Rate, New Homes	7.9%	7.8%	7.7%	7.5%	7.4%	7.2%	7.1%	7.1%	7.0%	7.0%	7.0%	7.1%
<b>INFLATION</b>												
GDP Price Deflator	1.6%	1.4%	1.6%	1.6%	1.7%	1.4%	1.5%	1.6%	2.0%	1.8%	1.9%	2.0%
Personal Cons Deflator	1.8%	1.5%	1.5%	1.5%	1.7%	1.9%	2.0%	2.1%	2.3%	2.3%	2.4%	2.4%
Consumer Price Index	2.4%	1.9%	1.9%	2.0%	2.1%	2.3%	2.4%	2.5%	2.6%	2.6%	2.7%	2.8%

**National Variables Forecast by Standard and Poor's DRI**  
**Forecast Begins the THIRD Quarter of 1999**

## **NATIONAL FORECAST DESCRIPTION**

### **The Forecast Period is the Third Quarter of 1999 to the Fourth Quarter of 2003**

The U.S. economy continued to grow as it reached the end of the 2<sup>nd</sup> millenium. Already, it's the longest peacetime expansion, and in February 2000 it will be the longest expansion on record. Despite its long run, the economy shows few signs of slowing down. In fact, some signs show it is actually speeding up. After growing at a 1.9% annual rate in the second quarter of 1999, real GDP posted a 5.7% showing in the following quarter. Early estimates suggest it grew about 5.0% in the fourth quarter of last year. Overall, real GDP is believed to have grown 3.9% in 1999, well above almost every estimate of its potential. Another measure that has outperformed almost every expectation has been employment. Last year the U.S. civilian unemployment rate averaged 4.2%, which is about one and a half percentage points below a reasonable estimate of full employment. Given the tight labor market, one would expect to see inflationary pressures surfacing. However, inflation has been relatively tame. In fact, employee compensation growth actually slowed from 3.5% in 1998 to 3.1% in 1999. Energy prices did rise significantly in 1999, but this jump was from depressed levels. Even with the surge in energy prices, consumer inflation was just 2.2% last year. As it prepares to break the expansion record, the economy is more aptly described as hitting full stride versus being on its last leg.

The economy's long string of successes has led to speculation that we have entered an era of "the New Economy." An important feature of this school of thought is that something fundamental has happened to the economy that has made it less volatile. In a way, it could be described as the economy that would not die. On closer inspection the "new economy" looks a lot like the "old economy." And to paraphrase Mark Twain, "the news of the business cycle's death is greatly exaggerated." What we are seeing is the "old economy" prospering under nearly ideal conditions. As such, it still remains vulnerable to disruptions. A classic example is a policy mistake by the nation's central bank. Although inflation is currently tame, it could heat up in the future. If the Federal Reserve were slow to react to this threat, prices could accelerate quickly. In order to wrangle inflation, the Federal Reserve would have to tighten more severely than if it had acted more promptly to the inflation threat. The higher interest rates would throw cold water on the hot economy and plunge it into a recession. The economy could also stumble if the stock market falters. Such a scenario could happen. A look at fundamentals suggests the stock market is overvalued by 30%, hardly a trivial amount. Furthermore, the rise in the stock market has buoyed consumer confidence. Should the stock market go south, so would consumer confidence and spending. This could start a chain reaction that would eventually lead the economy into a recession.

The current forecast assumes there will be no major policy mistakes nor will there be a catastrophic drop in the stock market. Thus, there should not be a recession over the forecast period. Instead, the forecast calls for the economy to cool. Interestingly, the slowdown will not come from weak demand, but weak supply. The booming economy has dried up the labor pool. Expanding businesses will find it increasingly difficult to find qualified employees. Eventually, the tight labor market will put pressure on inflation. However, the Federal Reserve is expected to maintain its vigilance and keep inflation in check while avoiding a recession.

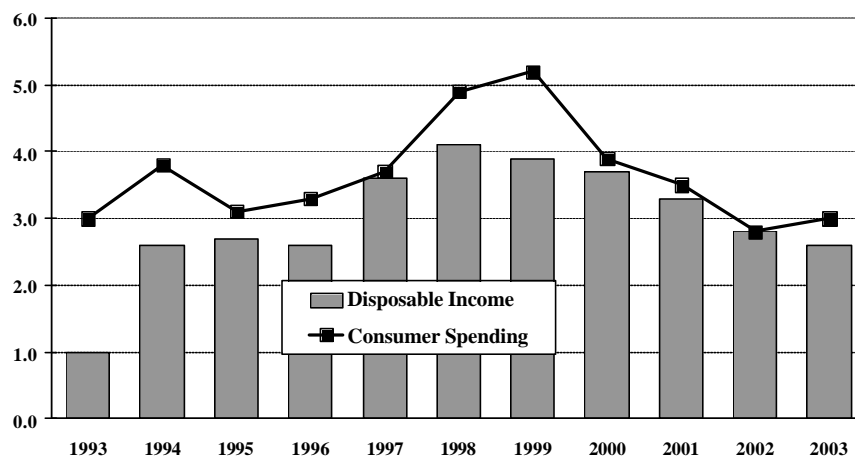
## **SELECTED NATIONAL ECONOMIC INDICATORS**

**Consumer Spending:** Real consumer spending accounts for about two-thirds of the economic activity in the U.S., and it has fueled the strong economic growth in recent years. In fact, real consumer spending has out paced both real GDP and disposable income growth over the last four years. While spending can rise faster than income for short periods, at some point it should return to the rate of income growth. This is because consumers eventually exhaust savings and credit sources. American

consumers appear to be reaching the point where it will be harder to maintain the current rate of spending above income growth. In order to support their spendthrift ways, consumers have turned to their savings and to credit. The U.S. personal savings rate dropped from nearly 9.0% in 1992 to about 2.0% last year. The main reason consumers have let personal savings slide is because they believe the rising stock market is doing their saving for them. The ratio of wealth to income has risen to nearly 6 — its highest level ever. Rising

confidence and low interest rates have also convinced consumers to take on record levels of debt during this expansion. It was believed that consumers had exhausted their taste for debt when the ratio of non-mortgage consumer debt to disposable income was around 18% in 1994. Since then it has become obvious that consumers are comfortable with higher levels of debt. The ratio of debt to income was just over 20% in 1998 and showed no sign of easing in 1999. Another measure shows that for the first time total U.S. household debt (including mortgage debt) has risen above after-tax income. Again, increased household wealth seems to have played a role. It should be pointed out that not all households are shouldering an equal debt burden. Anecdotal evidence suggests much of the new debt has gone to the least creditworthy borrowers. This would help to explain the high number of bankruptcies in 1999. Several other factors suggest the brisk consumer spending in recent years will not continue. One of the reasons for the spending slowdown is the anticipated decline in consumer confidence caused by a cooling job market. In addition, rising interest rates will dampen the demand for big-ticket items. Also, the healthy stock market gains of the last few years are not expected to continue in the near future. The two big question marks are savings and debt. It remains to be seen whether consumers will lean even harder on these two financing sources over the forecast period. The current forecast assumes real consumer spending growth will slow to nearly the same pace as real disposable income growth.

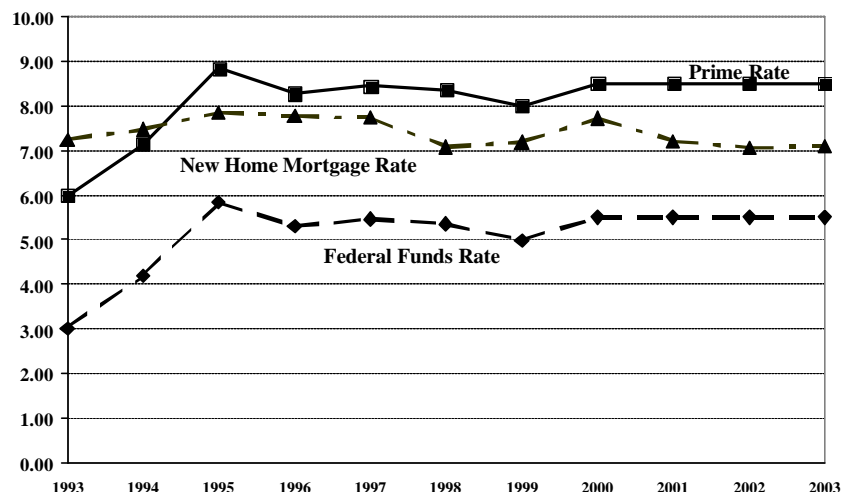
## Real Spending & Real Income Growth



Source: Standard and Poor's DRI

**Financial:** The Federal Reserve Bank raised its federal funds rate target by one-quarter percentage point to 5.5% and increased its discount rate to 5.0% in the fall of 1999. This brings the two rates back to levels seen prior to the 1998 Russian financial crises. This most recent rate hike will probably be the last of this tightening cycle. Several factors support this forecast. First, U.S. interest rates are well above those in other industrial countries. Second, although nominal interest rates are low,

## Selected Interest Rates



Source: Standard and Poor's DRI

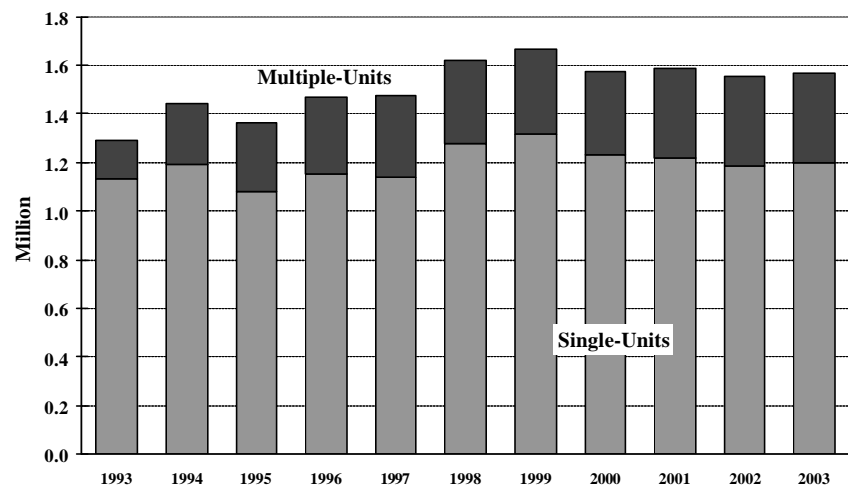
real interest rates are relatively high. This is because inflation is so low. Third, in order to preserve its nonpartisan image, the Federal Reserve usually does not like to make major monetary policy changes during an election year. Fourth, the nation's central bank may have shifted its emphasis away from inflation fighting and toward keeping the economy moving. In the statement announcing its recent tightening, the Federal Reserve noted that cost pressures appear generally contained, while there are tentative signs that growth may be slowing in certain interest-sensitive sectors of the economy. This should not be misconstrued to mean the Federal Reserve has abandoned its inflation-fighting vigilance. Chairman Greenspan and company have worked very hard to get the economy to perform in a nearly flawless manner. They will not hesitate to tighten if inflation threatens their hard wrought legacy.

**Housing:** The U.S. housing industry continued to grow last fall. This is not to say everything has gone smoothly for this industry in 1999. Indeed, there have been a few bumps in the road that generated fears that the housing industry's hot streak was finally cooling. For example, new home sales remained suspiciously high this summer despite rising interest rates. It was originally reported that sales of new homes were 930,000 units last August. However, this figure was later revised to 934,400.

This was followed by another round of weak housing reports for September 1999. Sales of new homes dropped to 848,000 units in that month. Housing starts also declined, falling 2.8% that month. In addition, the supply of unsold new homes in September rose to 4.9 months supply from August's 4.0 months supply. Some of the slowdown is attributable to the hurricanes that battered the East Coast in the fall. However, economic fundamentals played a bigger role. It appears that rising housing prices and higher interest rates have finally affected new home sales. The average price of a new home rose from \$192,400 in August to \$196,900 in September. Mortgage interest rates rose by about 90 basis points last summer. Not all of the news was bad, however. Sales of new homes rebounded strongly to a record 986,000 annual pace in October 1999. The sales of existing homes topped 5 million for the 11<sup>th</sup> consecutive month in September. A couple of factors suggest the outlook for the housing sector remains relatively strong. First, the 30-year mortgage rate has fallen recently. Second, notwithstanding the recent increases in rates and home prices, housing is still quite affordable. The National Association of Realtors' Housing Affordability Index was 127.4 in the third quarter of last year. This means that half of the families in the United States had at least 127.4% of the income needed to buy a median-priced home. This affordability has translated into a larger portion of household owning homes. About two-third of U.S. households owned their homes in 1999, which was up from around 64% in 1990. After rising to 1.67 million starts in 1999, there should be 1.57 million in 2000, 1.59 million in 2001, 1.56 million in 2002, and 1.57 million starts in 2003.

**International:** International trade has been the most notable exception to the near perfect U.S. economy. The U.S trade deficit hit \$24.9 billion annually in July 1999 and \$23.5 billion in August 1999. To put this in perspective, the trade deficit for all of 1992 was just \$27.8 billion. It is expected to rise to a whopping \$263 billion for 1999. Trade was not always this much of a drag on the economy. The weakening U.S. dollar helped to boost exports after the mid-1980s. In fact, international trade

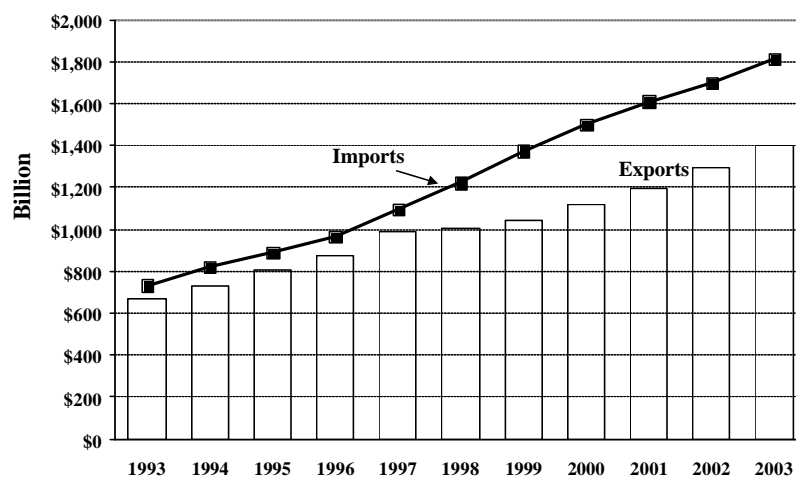
## U.S. Housing Starts



Source: Standard and Poor's DRI

eventually became an engine of economic growth. Unfortunately, the trade deficit ballooned after the early 1990s. Unlike the mid-1980s when the strong dollar hampered trade, the current deficit is a reflection of the U.S. economy's strength. The U.S. trade deficit was under \$100 billion as recently as 1997. This changed in 1998, when the full effects of the Asian economic crisis were felt. In that year, the strong U.S. economy helped imports to grow at a 5.6% pace, while exports actually retreated 0.2%. As a result the trade deficit grew to nearly \$150 billion in 1998. The lopsided trade situation continued in 1999, as exports rose by nearly 13.0% and imports eked out only 3.0% growth. This caused the trade deficit to deteriorate to \$263 billion in 1999. The good news is that while the trade deficit is not likely to improve over the forecast period, it is not expected to get much worse. A review of worldwide economic conditions leads to this relatively optimistic outlook for trade. Europe should enjoy stable growth over the forecast period. Most of Asia is showing signs of recovery from that region's recent meltdown. However, Japan and Indonesia are notable exceptions. Depressed commodity prices have combined with imported financial shocks and domestic political problems to produce steep output drops in Venezuela, Colombia, and Ecuador. Depressed commodity prices and excessively tight monetary policy have played havoc with the Chilean economy. However, rising commodity prices point to an improved outlook for these countries.

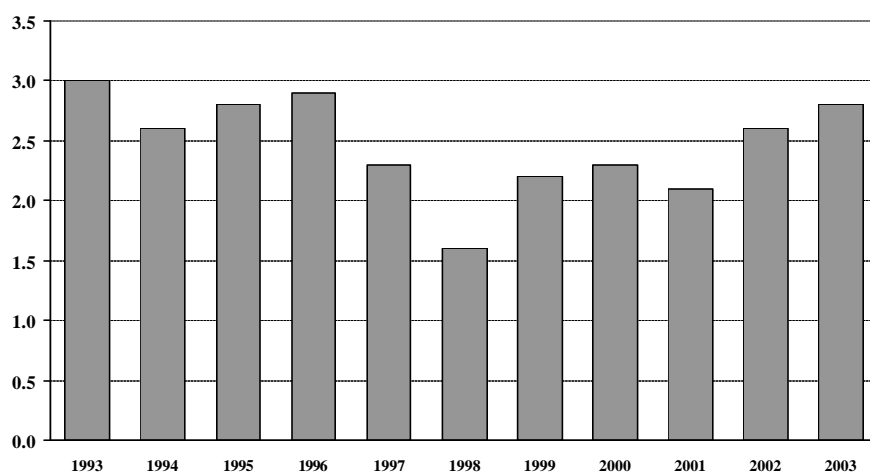
## Real U.S. Imports and Exports



Source: Standard & Poor's DRI

**Inflation:** The low inflation rate is an enigmatic, but welcome, feature of the current U.S. economy. During the second half of last year, inflation actually eased, as U.S. economic growth barreled along at a nearly 5.0% annual pace and the national unemployment rate approached record lows. Conventional wisdom suggests that inflation should be accelerating, not decelerating. Indeed, some consumer prices have risen. After falling in each quarter of 1998, the implicit price deflator for

## Consumer Price Inflation



Source: Standard and Poor's DRI

gasoline and oil soared through 1999, growing by as much as a 68% annual rate in that year's second quarter. Rising crude oil prices explain this increase. The acquisition price of foreign crude more than doubled from \$10.83 per barrel in the fourth quarter of 1998 to an estimated \$22.38 per barrel in 1999's last quarter. There are two major reasons for the price resurgence: the increased demand due to the

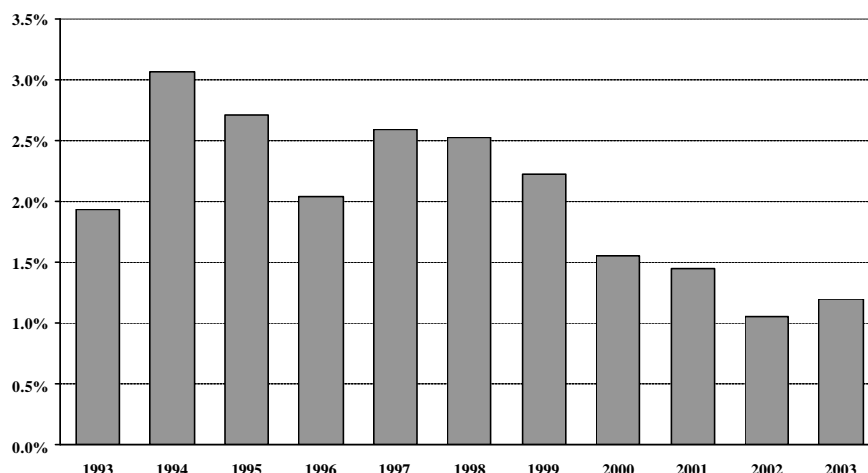


Asian economic recovery and decreased supply caused by OPEC production cuts. The latter is a bit surprising because cartels are inherently unstable and higher prices usually lead to members cheating on quotas. All members, even the notoriously inkompliant Venezuela, seem to be abiding with the current round of quotas. Late in the summer of 1999, Philip Morris announced an 18-cent increase in the price per pack of cigarettes. This raised the average per-package price of cigarettes 7.3% to \$2.65. This change covers the January 1, 2000 increase in the federal excise tax and legal obligations. Additionally, commodity prices, with the notable exception of agricultural goods, have begun to strengthen. So far, inflationary pressures have only been noticeable at the producer level; consumers have yet to experience a significant jump in overall inflation. At this point of the expansion, inflation should be heating up with wages and other employee costs putting pressure on prices. However, these costs have been relatively tame. There are several explanations for this. First, employee benefits costs increases have been kept in check by the transition from traditional fee-for-service health plans to managed care health plans. Second, healthy productivity gains seem to keep unit labor costs down. Third, U.S. manufacturing capacity utilization has remained below inflationary levels. Fourth, global competition makes raising prices more difficult for domestic businesses. Given these conditions, inflation should remain relatively tame over the forecast horizon. Specifically, consumer price inflation should remain just under 3.0% per year and producer price inflation for final goods should rise by no more than 2.5% annually.

**Employment:** After a slow start, employment is currently one of the brightest facets of the near-record economic expansion. Employment is typically one of the last parts of the economy to show improvement during an expansion. During the current one, the economy took longer to achieve full employment than the duration of most recoveries. Historical records show that peacetime recoveries have lasted an average of 29 months. In March 1992, on the expansion's first birthday, the unemployment rate had

actually jumped to 7.4%. It was 7.0% on its second birthday. Thus, with time seeming to run out, unemployment was still well above the full-employment level. It would take about four years after the recovery's start to reach full employment. A look at nonfarm employment data paints a similar picture. From 1991 to 1992, the number of nonfarm jobs in the U.S. grew a meager 0.3%. The pace improved to 1.9% in 1993. It rose again to 3.1% in 1994. Since then, nonfarm employment has grown by at least 2.0% annually. At first, the growing number of jobs available attracted more workers into the labor force, which kept the unemployment rate relatively high. Eventually, these workers found jobs and the unemployment rate began to move downward. In fact, it has moved to levels not seen in nearly three decades. In the fall of 1999, the U.S. civilian unemployment rate fell to 4.1%, which was well below the 5.4% estimate of full employment. Ironically, the tight labor market will be one of the factors limiting future job growth. This can be seen by looking at both nonfarm employment growth and unemployment. Over the forecast period nonfarm employment growth slows from 2.2% in 1999 to about 1.0% by 2003. However, the unemployment rate barely rises from 4.1% in 2000 to 4.4% in 2003, which is still a full percentage point lower than full employment.

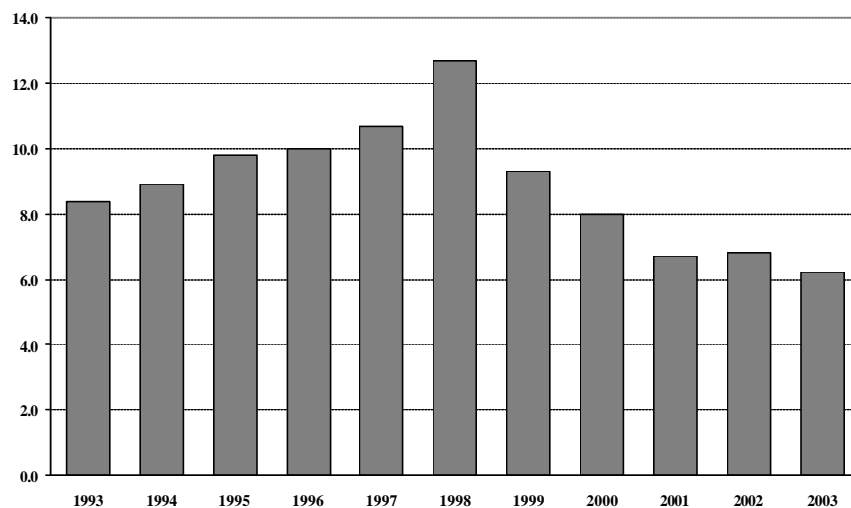
### U.S. Nonfarm Employment Growth



Source: Standard and Poor's DRI

**Business Investment:** Business investment has been one of the most consistent performers during the current expansion. A review of several numbers brings this point home. Real business fixed investment has grown much faster than real GDP in each year since 1992. Much of this growth was fueled by the double-digit rise in investment spending on computers and software. Economic reality made this level of investment necessary. American businesses invested heavily in technology in order to remain competitive with their global counterparts. In addition, the tightening labor

**Real Business Investment Growth**



Source: Standard and Poor's DRI

market created a need to replace labor with capital. The increased investment may help to explain why productivity has soared in recent years. Like employment, productivity got off to a slow start during this expansion, but has picked up speed recently. Output per hour actually dipped slightly in 1993, but advanced by about 2.6% in both 1998 and 1999. It should be pointed out that investment alone does not account for this surge in productivity. Some of the increase in output reflects the fact that workers are more adept at using the new technology. In previous forecasts it was anticipated that companies would hedge against Y2K-related supply disruptions with higher on hand inventories. This should have a negative impact in the first part of next year. If supply disruptions are minor, businesses will curtail production and work down stockpiles. On the other hand, if there were major supply interruptions, output would suffer. It now appears that the inventory buildup in the latter part of 1999 was not as large as had been projected earlier. Thus, the impact on GDP in the first quarter of 2000 should be smaller.

## **IDAHO FORECAST DESCRIPTION**

### **The Forecast Period is the Third Quarter of 1999 to the Fourth Quarter of 2003**

The outlook for the state's economy has changed little since the October 1999 *Idaho Economic Forecast* was released. At that time it was projected that after booming for several years, the Gem State's economic growth would take a breather and expand slower over the forecast period. It is important to note that while growth is forecast to slow, it is not expected to stall or decline. As such, the state's growth streak that began in 1987 should continue over the foreseeable future. It is anticipated that Idaho nonfarm employment growth will drift down to 2.1% in both 2000 and 2001 then rise to 2.4% in 2002, and 2.5% in 2003. While this is low compared to recent years' increases, it is still faster than its national counterpart. National growth is not expected to increase by more than 2.0% in any year of this forecast.

A closer look reveals some of the hottest and coolest Idaho employment sectors. Manufacturing is expected to enjoy above average growth over the next few years thanks to a strong showing by its electrical and nonelectrical machinery component. Not only is this the largest manufacturing category, it is also one of the fastest growing. The other durable manufacturing category should recover nicely after suffering a small decline in 2000. The outlooks for two of the state's traditional manufacturing giants are not as bright. Lumber and wood products employment is forecast to drop from 13,241 in 1999 to 11,889 in 2003. Food processing employment, on the other hand, should rise slowly. Employment in both the mining and construction industries should remain fairly stable. The services-producing sector is projected to set the pace for overall job growth. This should not come as a surprise, as it accounts for about 80% of all nonfarm jobs. Its strongest performers should be trade and services, which also happen to be its largest categories. A more detailed analysis of these and other employment sectors follow this introduction.

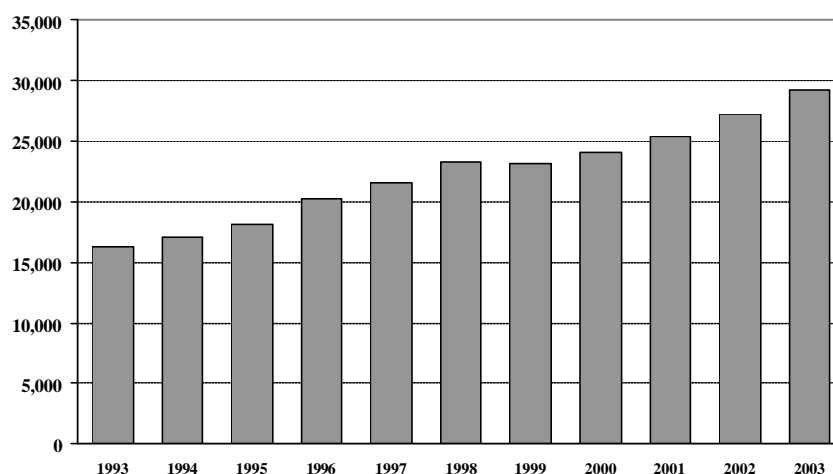
Idaho nominal personal income should chug along at a 5.5% to 6.0% annual pace over the forecast horizon. As is the case with employment, Idaho nominal personal income should grow faster than national nominal personal income. Adjusted for inflation, Idaho personal income is anticipated to rise 4.6% in 1999, 3.8% in 2000, 3.6% in 2001, 3.3% in 2002, and 3.4% in 2003. National personal income is expected to advance 4.1% in 1999, 3.4% in 2000, 3.2% in 2001, 2.4% in 2002, and 2.5% in 2003. Given Idaho's strong employment picture, it is no surprise that the lion's share of income growth should come in the form of wage and salary payments. Wage and salary payments also benefit from relatively strong annual average wage growth that is fueled by tight labor markets. Nonfarm proprietors should also propel income. From 1999 to 2003, nonfarm proprietors' income should climb from \$3.1 billion to \$3.8 billion. Unfortunately, farmers and ranchers are not expected to do as well. Farm proprietors' income is projected to grow slowly to about \$300 million, which is well below its high of \$463 million in 1996.

## **SELECTED IDAHO ECONOMIC INDICATORS**

**Electrical and Nonelectrical Machinery:** After several false starts, it appears the state's high-tech sector may once again be on the road to prosperity. This is a welcome relief from the last few years. Micron Technology, a world-class producer of computer memory products, will be the biggest beneficiary in the warmer high-tech business climate. This company's profits soared in the mid-1990s thanks to solid memory prices and continued manufacturing improvements that steadily reduced production costs. In order to take advantage of the healthy market, Micron undertook an aggressive

expansion that included a new manufacturing plant in Lehi, Utah. Unfortunately, the run of strong returns was stopped before this new factory was completed. Construction on the Lehi facility, which had been proceeding at a breakneck pace, was slowed to contain costs. This current downturn has lasted longer than most had anticipated. According to a Micron Technology press release, the price per megabit of memory declined 75% in its 1997 fiscal year, 60% in fiscal 1998, and 40% in fiscal 1999. Despite these declines, the company was able to avoid the layoffs that Micron saw (half its work force) in the mid-1980s. The recent bout of tough times has not stopped Micron from betting on the future. The company sold off some of its non-core businesses and acquired Texas Instruments' memory business in the fall of 1998. This complicated deal included several production plants that would help the company meet increased demand. One of the reasons the current slump has been so protracted is because worldwide memory manufacturing capacity has grown exponentially. For example, dynamic random access memory (DRAM) capacity in Taiwan increased from 5,000 wafers per month in 1992 to 180,000 wafers per month in 1999. Another factor that has hurt prices is the slump in demand caused by the Asian financial crises. It appears that many Asian countries' economies are on the mend (with the notable exception of Japan), and there have been some signs that demand is picking back up. Even more promising is the fact that memory prices have recently shown signs of strengthening. Hewlett-Packard is Boise's other high-tech giant. Like its Treasure Valley neighbor Micron, it too has seen its share of changes. In the past, employment at the Boise plant had been more weighted towards manufacturing. During its early 1990's heyday, the site's employment rose above 5,000 thanks in large part to the success of the company's LaserJet printers. Employment at the site is currently at about 4,000 people. During the past few years the company has emphasized research and development at the Boise plant and de-emphasized manufacturing. The company sold its LaserJet formatter board operations to Jabil Circuit, Inc. Virtually all of the employees involved with Hewlett-Packard's formatter operations transferred to Jabil. Jabil's operations are temporarily housed at the Hewlett-Packard plant until their Treasure Valley facility is completed. Idaho electrical and nonelectrical manufacturing employment is expected to decline 0.6% in 1999, then rise 4.1% in 2000, 5.2% in 2001, 7.4% in 2002, and 7.5% in 2003.

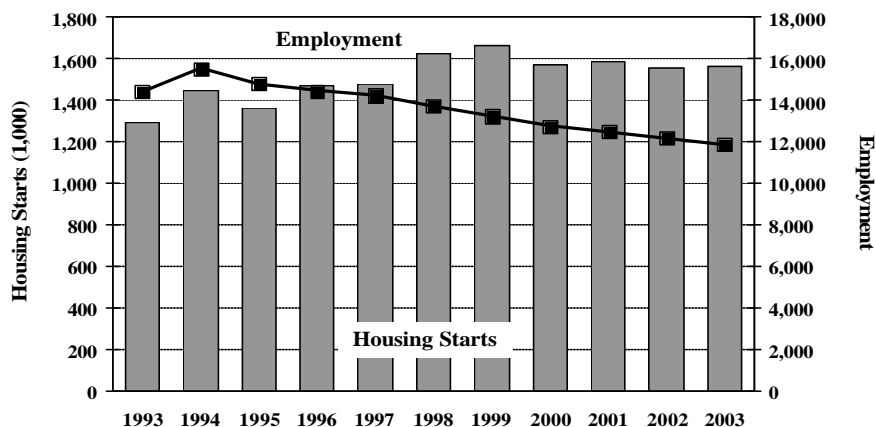
**Idaho Electrical & Nonelectrical Employment**



**Lumber and Wood Products:** The last five years have been tough for this industry and there is no relief in sight. This sector most recently peaked at around 15,500 jobs in 1993. From then to 1998, nearly 1,800 positions were lost. In 1998 alone payrolls dropped by 500 workers. Many of these losses resulted from mill closures. Closures have reached epidemic proportions in the West. For every two mills that were operating in 1990, only one was still in business in 1999. These declines were especially disappointing given the strong U.S. housing market. There were 1.62 million housing starts in the U.S. in 1998, which were a 10% improvement over 1997 and the strongest showing since 1987. As a result, U.S. consumption of softwood lumber and structural panels set new records in 1998. Given the soaring demand, it would be reasonable to expect wood product prices to climb. Instead, lumber

prices fell. This paradox—record consumption and declining prices—can be explained by looking closely at export markets. U.S. exports last year totaled just over a billion board feet, which was down 31% from 1997 and roughly half its 1994 level. Canadian overseas exports dropped 25% last year. The weakness in export markets reflected plunging demand in Asia. The natural consequence of reduced Asian demand was a North American market awash in supply—and prices declined accordingly. The recoveries in many of the smaller Asian countries have raised hopes of stronger prices. Indeed both lumber and structural product prices rose through the first half of 1999. Unfortunately, they have since retreated. Perhaps this reflects the current excess capacity in this industry. One estimate says the industry already geared up to produce 20-25% more lumber than is being consumed in North America and Asia. In the long term, employment in the lumber and wood products industry will be limited by the dwindling supply of timber from public lands. For example, Random Lengths reported that only 30% of the Idaho timber harvested in 1998 came from public lands, although 80% of the state's timber sat on public lands. The uncertainty of the public timber supply should limit future investment and further dampen employment in the Gem State's lumber and wood products sector. Gem State lumber and wood products employment should slide 3.6% in 1999, 3.7% in 2000, 1.9% in 2001, 2.7% in 2002, and 2.3% in 2003.

## Idaho Lumber & Wood Products Employment and U.S. Housing Starts

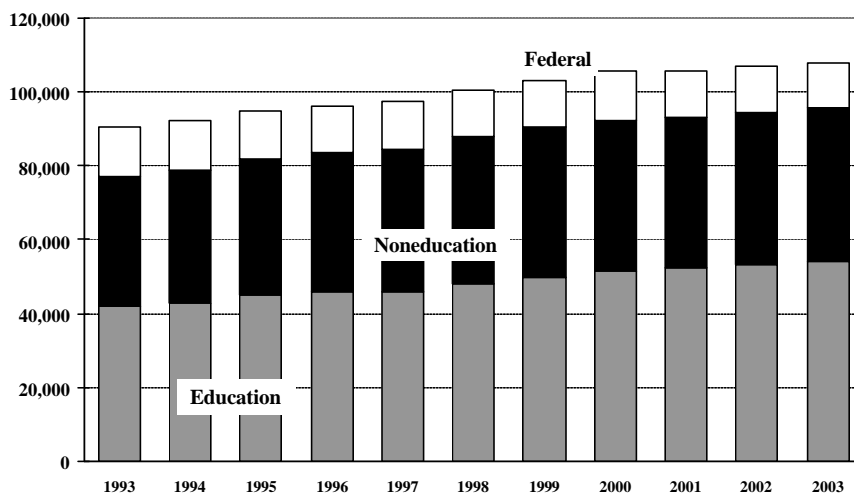


Sources: Standard and Poor's DRI and DFM

## Federal, State, and Local Governments:

The current forecast for Idaho's government sectors calls for state and local employment growth to slow and federal employment to fall. Idaho state and local government employment combined advanced over 3.5% annually during the first half of this decade, which was more than twice the national average. During this same period, the Gem State's population grew as much as three times as fast as the U.S. population and its economic growth eclipsed its national counterpart. Both Idaho population and economic growth should cool over the forecast, and this will take a toll on this sector's employment growth. State and local government employment gains will also be limited by a law that caps local government budgets. As a

## Idaho Government Employment



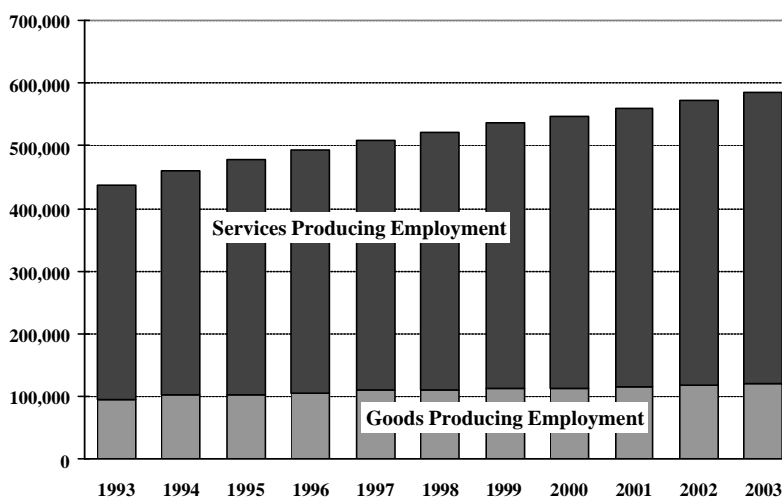
result, after leading its national counterpart for several years, Idaho state and local government employment growth will drop slightly below the national pace. Specifically, Idaho state and local employment is forecast to increase 3.1% in 1999, 1.8% in 2000, 1.3% in 2001, 1.2% in 2002, and 1.2% in 2003. Nationally, state and local government employment is anticipated to rise 2.1% in 1999, 1.7% in 2000, 1.6% in 2001, 1.4% in 2002, and 1.3% in 2003. As has traditionally been the case, most of the Idaho government employment growth should come from the education sector. It is expected to average 1.8% annual growth over the 1999-2003 period, while non-education employment is forecast to rise just 0.8% annually. Federal austerity measures should limit federal government job opportunities in Idaho. In fact, this category should see its employment fall from 12,678 in 1999 to 12,418 in 2003. It will get a short respite in the first half of this year, when the hiring of temporary census workers swells employment to 14,055. By the last quarter of 2000, however, Idaho federal employment is projected to be down to 12,597.

## Services-Producing

**Industries:** The services-producing sector is the state's largest and most diverse employment category. Alone, it accounts for about 80% all nonfarm jobs. It consists of finance, insurance, and real estate; transportation, communications, and public utilities; trade; services; and government. Even when government employment is taken out of the services-producing mix, what remains still accounts for over 60% of all jobs. Not only is this sector

huge, it has been an important growth engine. For example, over the decade from 1988 to 1998, Idaho services-producing employment accounted for about 80% of the total job gain. This growth occurred because of favorable cyclical and structural factors. One of the most significant factors has been the increasing number of women in the labor force. This has increased the demand for a wide range of goods and services, such as childcare and meals away from home. Another change agent has been the growing number of single-person and single-parent households; due partly to the increasing number of persons delaying their first marriages and the greater number of divorced persons. In the future, the aging baby-boom generation increases the demand for services for the aged. In addition, this generation of older persons will probably be healthier than previous generations and will demand more recreational/leisure services. Structural changes will also include the way businesses operate. With the onset of the information economy, companies have more flexibility in locating their operations. They are less tied to locating near their customer base and can move to an area with a highly productive work force. Ironically, manufacturing changes have also helped service employment. Instead of taking on new employees to meet peak production, many manufacturers now hire temporary workers from employment agencies. Since these persons work for the employment agency, they are classified as service employees even though they are performing manufacturing tasks. It should be pointed out that non-economic factors also affect employment levels. For example, there has been a significant drop in the finance, insurance, and real estate category in 1998 compared to the previous year because the U.S. Bureau of Labor Statistics determined that 3,600 of the Idaho jobs reported as noncovered real estate

## Idaho Nonfarm Employment

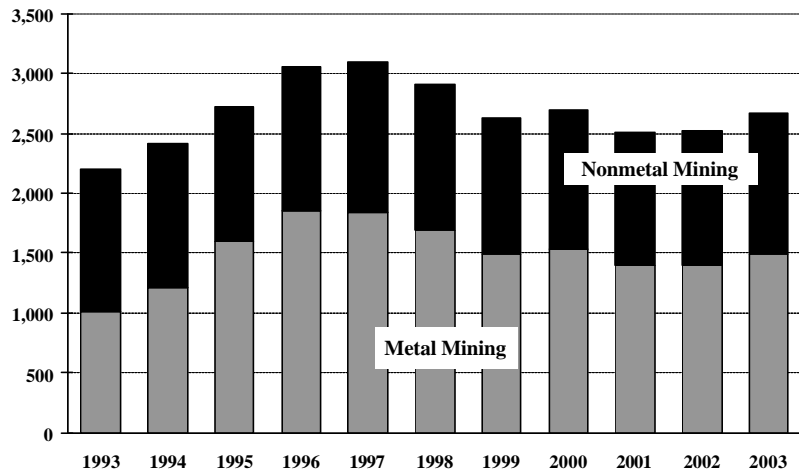


should be classified as self-employed. Overall, services-producing employment is projected to increase 3.1% in 1999, 2.5% in 2000, 2.2% in 2001, 2.4% in 2002, and 2.5% in 2003.

**Mining:** The state's mining sector should enter a period of relative stability after suffering back-to-back employment losses in 1998 and 1999. Mining employment fell from about 3,000 in 1997, to just over 2,600 in 1999, with both the metal and non-metal mining sectors suffering losses. Much of this decline is attributable to the Asian economic crises that depressed worldwide commodity prices. For example, lower prices contributed to the decision to cut production and lay off 75 of the 250 employees

at the Thompson Creek molybdenum mine and mill in Custer County. The Delemar Mine in Owyhee County fell victim to low gold prices. Given current conditions it may seem hard to believe that things should stabilize, but several factors suggest this is indeed possible. First, the Asian economic crisis is showing signs that it has bottomed out and this should halt the deflationary spiral, which will aid metal prices. Second, it does not appear that central banks will be selling gold on the open market. Third, many operations in Idaho have cut employment to the point where further large reductions do not seem possible. This is not to imply that the future will be without its challenges. Mining employment will also be affected by the winding down of Meridian Gold's Beartrack Mine in Lemhi County. The number of workers at the mine will shrink from the current 150 to about 15 to 25 employees by the first quarter of 2001. Metal mining is not the only category to face challenges. In addition to the slowing economy, nonmetal mining employment will suffer under the additional weight of construction and agricultural problems. The expected flattening of the construction industry will hurt certain nonmetal mining sectors, such as rock quarrying, sand, and gravel. Soft agricultural commodity prices will probably lead to acreage reductions that reduce fertilizer demand. This will affect companies in Southeast Idaho where phosphorus ore is mined and fertilizer is manufactured. Mining employment should hover between 2,500 and 2,700 over the forecast period.

### Idaho Mining Employment

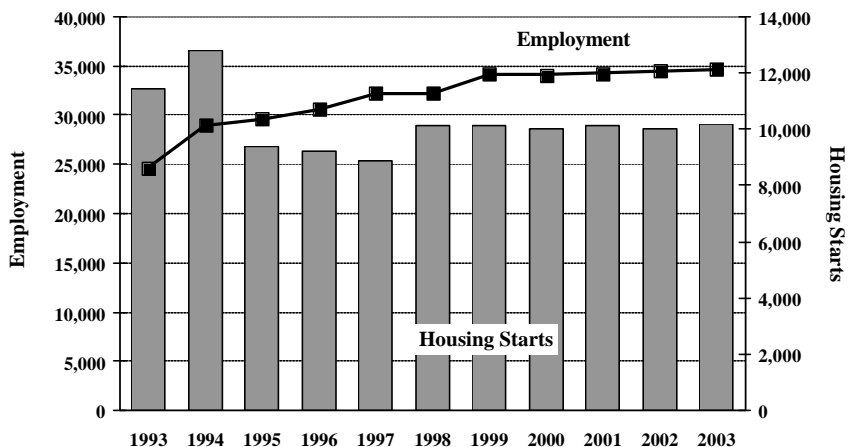


**Construction:** Idaho should conclude this decade without the help of one its most important growth engines: construction. Its absence will be missed. Like the overall Idaho economy, the construction sector started to recover in the late 1980s. In 1983, construction employment was just above 13,000. It took off briefly to about 15,000 in 1985, but retreated to 13,721 in 1987. In 1988, the current recovery took off in earnest. It started slowly at first, with employment growing by just 3.5% in 1988. It was initially fueled by the commercial sector. Construction employment continued to grow in 1988, while housing starts actually fell slightly. But housing joined the growth bandwagon soon after. Idaho housing starts increased an astounding 40.2% from 1988 to 1989 in what would become the first in a series of six straight years of double-digit growth. There were over 12,700 housing starts when this run ended in 1994. This was nearly fourfold 1988's 3,334 starts. The boom resulted from Idaho's strong population growth during that period. The Gem State was one of the nation's strongest economies during that period, and attracted thousands of newcomers into the state. The strong net in-migration

caused Idaho's population to shift from growing slower than the national rate in 1989 to growing three times the national rate by 1994. Because of the dearth of housing starts in the early 1980s, the construction industry found itself in catch-up mode during most of the boom period. This helps explain why there was no serious housing inventory overhang despite the robust growth. Housing starts did drop 26.7% in 1995, however. This realignment was a move to more sustainable levels. Despite the drop, there

were still 9,362 starts in 1995. It should also be noted that while housing starts fell in 1995, construction employment continued to grow, reflecting the strength of the nonresidential building sector. Since 1995, construction employment levels have hovered near 32,000, which is more than twice as high as in 1987. Idaho housing starts are forecast to remain near 10,000 units. Construction employment is forecast to grow slowly from 34,123 in 1999 to 34,612 in 2003.

## Idaho Construction Employment and Housing Starts





## ALTERNATIVE FORECASTS

DRI has assigned a 60% probability of occurrence to its November 1999 baseline forecast of the U.S. economy. The major features of this forecast include:

- Real GDP grows 3.9% in 1999, 3.4% in 2000, 3.5% in 2001, 3.0% in 2002, and 3.2% in 2003;
- U.S. nonfarm employment advances 2.2% this year, 1.6% next year, 1.4% in 2001, then averages about 1.1% thereafter;
- the U.S. civilian unemployment rate remains at least one percentage point below the full employment rate of 5.5%;
- consumer confidence peaks in 1999, then slowly tapers off over the forecast period;
- consumer inflation remains well below 3.0%;
- the federal budget surplus increases in each year of the forecast;
- and the U.S. merchandise trade deficit widens.

While the baseline scenario represents the most likely path for the national economy over the next few years, uncertainties surrounding several key variables mean other outcomes are also possible. To account for this, DRI prepares alternative forecasts based on different assumptions regarding these key variables. Two of these alternative forecasts, along with their impacts on the Idaho economy, are discussed below.

While it is believed the economy will not suffer a recession over the forecast period, it should be noted the risk of a recession is high. A review of the probabilities of occurrence for each forecast scenario shows this. The baseline does not include a recession and its probability of occurrence is 60%. However, both of the alternative scenarios do contain recessions and their combined probability of occurrence is 40%. This implies the chances of the economy not suffering a recession over the next few years are better than even.

### STOCK-MARKET-CORRECTION SCENARIO

The *Stock-Market-Correction Scenario* has been assigned a 10% probability of occurrence. An early recession might be triggered by a collapse of the U.S. stock market. One estimate suggests the stock market is overvalued by 30%. A correction of this magnitude would send shock waves through the U.S. economy. A stock market crash would destroy consumer wealth and confidence. Consumers would react to this by curbing spending and increasing savings. However, the impacts of the crash would not end at our shores. It could derail the Asian recoveries, which would exacerbate the U.S. downturn. It is assumed that this correction comes early next year and a recession results shortly thereafter.

This recession is relatively short lived. The Federal Reserve has been very responsive to threats to the U.S. economy's health. While it may not be able to prevent a recession, the central bank can contain the damage by moving quickly to lower interest rates after a stock market correction. Thankfully, the current low-inflation environment should provide enough maneuverability to make this possible. This downturn would be unique. In the postwar era, every recession has been preceded by a jump in core inflation rate. This recession would commence without such a jump.

As the table on the facing page shows, Idaho's economy takes its biggest hits in 2000 and 2001. Total nonfarm employment, which was expected to grow 2.1% in both 2000 and 2001 in the baseline case, averages about 1.35% growth in both years in the *Stock-Market-Correction Scenario*.

**IDAHO ECONOMIC FORECAST**  
**BASELINE AND ALTERNATIVE FORECASTS**  
**JANUARY 2000**

	BASELINE				STOCK MARKET CORRECTION				LATE RECESSION			
	1999	2000	2001	2002	1999	2000	2001	2002	1999	2000	2001	2002
<b>GDP (BILLIONS)</b>												
Current \$	9,228	9,671	10,159	10,649	9,228	9,414	9,712	10,239	9,228	9,705	10,208	10,243
% Ch	5.3%	4.8%	5.0%	4.8%	5.3%	2.0%	3.2%	5.4%	5.3%	5.2%	5.2%	0.3%
1992 Chain-Weighted	8,113	8,386	8,676	8,939	8,113	8,170	8,373	8,751	8,113	8,400	8,625	8,454
% Ch	3.9%	3.4%	3.5%	3.0%	3.9%	0.7%	2.5%	4.5%	3.9%	3.5%	2.7%	-2.0%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	27,524	29,056	30,615	32,329	27,524	28,737	29,879	31,481	27,524	29,069	30,744	31,996
% Ch	6.3%	5.6%	5.4%	5.6%	6.3%	4.4%	4.0%	5.4%	6.3%	5.6%	5.8%	4.1%
U.S. (Billions)	7,783	8,188	8,592	8,992	7,783	8,067	8,274	8,651	7,783	8,187	8,617	8,792
% Ch	5.8%	5.2%	4.9%	4.6%	5.8%	3.6%	2.6%	4.5%	5.8%	5.2%	5.2%	2.0%
<b>PERSONAL INCOME - 1992 \$</b>												
Idaho (Millions)	24,147	25,059	25,954	26,808	24,147	24,844	25,581	26,539	24,146	24,992	25,753	26,030
% Ch	4.6%	3.8%	3.6%	3.3%	4.6%	2.9%	3.0%	3.7%	4.6%	3.5%	3.0%	1.1%
U.S. (Billions)	6,827	7,061	7,284	7,456	6,827	6,973	7,084	7,292	6,827	7,039	7,218	7,153
% Ch	4.1%	3.4%	3.2%	2.4%	4.1%	2.1%	1.6%	2.9%	4.1%	3.1%	2.5%	-0.9%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho (Thousands)	535.7	547.1	558.8	572.2	535.7	543.3	550.2	566.6	535.7	547.1	556.9	559.5
% Ch	2.7%	2.1%	2.1%	2.4%	2.7%	1.4%	1.3%	3.0%	2.7%	2.1%	1.8%	0.5%
U.S. (Millions)	128.6	130.6	132.5	133.9	128.6	129.1	128.5	130.8	128.6	130.6	132.1	129.1
% Ch	2.2%	1.6%	1.4%	1.0%	2.2%	0.4%	-0.4%	1.8%	2.2%	1.6%	1.1%	-2.3%
<b>GOODS PRODUCING SECTOR</b>												
Idaho (Thousands)	112.8	113.6	115.7	118.6	112.8	110.9	111.7	116.6	112.8	114.0	115.9	112.9
% Ch	1.4%	0.7%	1.9%	2.5%	1.4%	-1.7%	0.7%	4.4%	1.4%	1.1%	1.6%	-2.6%
U.S. (Millions)	25.2	24.8	24.7	24.6	25.2	24.3	23.4	23.8	25.2	24.8	24.5	23.1
% Ch	-0.5%	-1.6%	-0.6%	-0.1%	-0.5%	-3.5%	-3.7%	1.7%	-0.5%	-1.6%	-1.1%	-5.6%
<b>SERVICE PRODUCING SECTOR</b>												
Idaho (Thousands)	422.9	433.5	443.0	453.6	422.9	432.3	438.5	450.0	422.9	433.1	441.0	446.6
% Ch	3.1%	2.5%	2.2%	2.4%	3.1%	2.2%	1.4%	2.6%	3.1%	2.4%	1.8%	1.3%
U.S. (Millions)	103.4	105.9	107.9	109.3	103.4	104.7	105.1	107.0	103.4	105.8	107.5	105.9
% Ch	2.9%	2.4%	1.9%	1.3%	2.9%	1.3%	0.3%	1.8%	2.9%	2.4%	1.6%	-1.5%
<b>FINANCIAL MARKETS</b>												
Federal Funds Rate	5.0%	5.5%	5.5%	5.5%	5.0%	4.7%	4.2%	4.3%	5.0%	5.3%	6.3%	6.1%
Bank Prime Rate	8.0%	8.5%	8.5%	8.5%	8.0%	7.7%	7.2%	7.3%	8.0%	8.3%	9.3%	9.1%
Mort Rate, New Homes	7.2%	7.7%	7.2%	7.0%	7.2%	7.6%	6.9%	6.9%	7.2%	7.6%	7.5%	8.0%
<b>INFLATION</b>												
GDP Price Deflator	1.3%	1.4%	1.6%	1.8%	1.3%	1.3%	0.7%	0.9%	1.3%	1.6%	2.5%	2.4%
Personal Cons Deflator	1.6%	1.7%	1.7%	2.2%	1.6%	1.5%	1.0%	1.6%	1.6%	2.0%	2.6%	3.0%
Consumer Price Index	2.2%	2.3%	2.1%	2.6%	2.2%	2.1%	1.3%	1.8%	2.2%	2.7%	3.1%	3.3%

Forecast Begins the **THIRD** Quarter of 1999

Goods-producing employment actually declines nearly 2.0% this year and rises less than 1.0% in 2001. Services-producing employment growth tapers down to 2.2% in 2000 and 1.4% in 2001. Total nonfarm employment does post a strong recovery in 2002, but it is not enough to overcome the weaknesses of the previous two years. In 2002, Idaho total nonfarm employment is about 5,600 lower than its baseline counterpart. Idaho real personal income also grows slower in 2000 and 2001. Like employment, it too fails to make up ground lost during 2000 and 2001 despite a relatively strong showing in 2002.

## **LATE-RECESSION SCENARIO**

The *Late-Recession Scenario* has been assigned a 30% probability of occurrence. This scenario is a more typical end-of-expansion recession than the *Stock-Market-Correction Scenario* discussed above. In the *Late-Recession Scenario* the U.S. economy grows stronger in 1999-2000 than in the baseline. The unemployment rate stays low and the U.S. stock market keeps climbing. Both of these factors keep consumer confidence buoyant. As a result, consumer spending continues to boom. In addition to the strong domestic economy, the recovery in Asia causes worldwide demand to strengthen. But this stronger growth comes at the price of higher inflation. Commodity prices recover along with foreign demand. Wage pressures grow as the U.S. labor market is stretched to its limit. Despite the signs of increasing inflation, the Federal Reserve is slow to tighten. This policy mistake proves costly.

The nation's central bank attempts to make up for delayed tightening by raising interest rates sharply. In the fall of 2001 the federal funds rate is at 6.75%. Because of the delayed response to inflation, the recession spirals downward, resulting in a peak-to-trough decline of 2.7%. While this recession would be about average by historical standards, it would be deeper and longer than the recession experienced in the *Stock-Market-Correction Scenario*.

In this scenario, Idaho's economy departs significantly from its baseline counterpart beginning in 2001. Idaho nonfarm employment increases just 1.8% in 2001 and 0.5% in 2002. In the *Baseline Scenario* it advances 2.1% in 2001 and 2.4% in 2002. The goods-producing sector is hit harder than the services-producing sector. The former rises 1.6% in 2001 then declines 2.6% in 2002. The latter grows 1.8% next year and 1.3% in 2002. Idaho real personal income advances 3.5% this year, 3.0% next year, and 1.1% in 2002. In the baseline case, this measure rises 3.8% in 2000, 3.6% in 2001, and 3.3% in 2002.

# *Idaho General Fund Revenue*

## History and Projections

The following pages provide descriptions of the sources of General Fund revenue, historical rate and distribution formula information, historical revenue collection and distribution information, and a brief explanation of the basis of the forecast for each source of revenue that contributes to the General Fund.

Three primary revenue categories (individual income tax, corporate income tax, and sales tax) presently account for almost 94% of General Fund revenue. These sources of revenue are forecast using a combination of econometric methods and judgment. The econometric method is multiple regression, using variables contained in the Idaho Economic Model (IEM). Exogenous forecast data are obtained from the January 2000 *Idaho Economic Forecast*. Both are products of the Division of Financial Management. The judgmental factors considered include the effects of rate changes, other law changes, judicial decisions, and knowledge not reflected in the econometric analysis.

Product taxes and miscellaneous revenue sources are forecast using collections history, trend analysis, law changes, receipts-to-date, and a broad array of contacts with individuals responsible for or otherwise involved with the collection of each revenue category. The largest miscellaneous revenue category, Insurance Premium Tax, is forecast in cooperation with the staff of the Department of Insurance, using simulation models to account for relevant variables and parameters that affect the cash flow into the General Fund.

# GENERAL FUND REVENUES\*

(\$ MILLIONS)

SOURCE	ACTUAL						
	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
<b>INDIVIDUAL INCOME TAX</b>	<b>\$343.08</b>	<b>\$398.28</b>	<b>\$432.22</b>	<b>\$459.44</b>	<b>\$508.02</b>	<b>\$559.17</b>	<b>\$596.46</b>
% CHANGE	19.5%	16.1%	8.5%	6.3%	10.6%	10.1%	6.7%
<b>CORPORATE INCOME TAX</b>	<b>\$72.96</b>	<b>\$72.49</b>	<b>\$60.02</b>	<b>\$57.97</b>	<b>\$70.00</b>	<b>\$87.63</b>	<b>\$131.64</b>
% CHANGE	14.2%	-0.6%	-17.2%	-3.4%	20.8%	25.2%	50.2%
<b>SALES TAX</b>	<b>\$288.78</b>	<b>\$319.29</b>	<b>\$335.74</b>	<b>\$364.32</b>	<b>\$402.82</b>	<b>\$452.68</b>	<b>\$481.57</b>
% CHANGE	11.6%	10.6%	5.2%	8.5%	10.6%	12.4%	6.4%
CIGARETTE TAX	\$6.79	\$5.88	\$6.86	\$7.07	\$7.00	\$7.61	\$7.25
BEER TAX	\$1.51	\$1.55	\$1.60	\$1.66	\$1.70	\$1.71	\$1.65
WINE TAX	\$0.79	\$0.77	\$0.75	\$0.75	\$0.75	\$0.81	\$1.14
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>
<b>PRODUCT TAXES Subtotal</b>	<b>\$14.04</b>	<b>\$13.15</b>	<b>\$14.16</b>	<b>\$14.43</b>	<b>\$14.39</b>	<b>\$15.07</b>	<b>\$14.99</b>
% CHANGE	-1.6%	-6.3%	7.7%	1.9%	-0.2%	4.7%	-0.6%
KILOWATT-HOUR TAX	\$1.59	\$1.68	\$1.78	\$1.61	\$1.45	\$2.09	\$1.69
MINE LICENSE TAX	\$0.21	\$0.25	\$0.47	\$0.59	\$0.11	\$0.47	\$0.29
TREASURER	\$16.18	\$17.55	\$19.39	\$11.81	\$10.54	\$10.61	\$15.00
JUDICIAL BRANCH	\$3.14	\$3.43	\$3.33	\$3.39	\$3.21	\$3.72	\$3.89
DEPT. OF INSURANCE	\$26.22	\$25.21	\$28.64	\$31.94	\$28.81	\$33.19	\$34.93
DEPT. OF LAW ENFCMNT	\$1.03	\$1.08	\$0.99	\$1.01	\$0.96	\$1.04	\$1.07
UNCLAIMED PROPERTY	\$0.74	\$1.16	\$1.15	\$1.35	\$1.34	\$1.71	\$2.09
OTHER DEPTS. & TRANS.	<u>\$4.56</u>	<u>\$3.50</u>	<u>\$3.61</u>	<u>\$3.98</u>	<u>\$1.82</u>	<u>\$5.69</u>	<u>\$4.49</u>
<b>MISC. REVENUE Subtotal</b>	<b>\$53.67</b>	<b>\$53.86</b>	<b>\$59.36</b>	<b>\$55.68</b>	<b>\$48.23</b>	<b>\$58.52</b>	<b>\$63.46</b>
% CHANGE	4.6%	0.3%	10.2%	-6.2%	-13.4%	21.3%	8.4%
<b>TOTAL GENERAL FUND</b>	<b>\$772.53</b>	<b>\$857.08</b>	<b>\$901.50</b>	<b>\$951.84</b>	<b>\$1,043.47</b>	<b>\$1,173.08</b>	<b>\$1,288.10</b>
% CHANGE	14.4%	10.9%	5.2%	5.6%	9.6%	12.4%	9.8%

\* Totals may not add due to rounding.

# GENERAL FUND REVENUES\*

(\$ MILLIONS)

SOURCE	ACTUAL				FORECAST	
	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
<b>INDIVIDUAL INCOME TAX</b>	<b>\$650.85</b>	<b>\$704.82</b>	<b>\$776.19</b>	<b>\$841.87</b>	<b>\$892.20</b>	<b>\$942.10</b>
% CHANGE	9.1%	8.3%	10.1%	8.5%	6.0%	5.6%
<b>CORPORATE INCOME TAX</b>	<b>\$151.98</b>	<b>\$122.36</b>	<b>\$117.29</b>	<b>\$95.44</b>	<b>\$99.30</b>	<b>\$101.50</b>
% CHANGE	15.5%	-19.5%	-4.1%	-18.6%	4.0%	2.2%
<b>SALES TAX</b>	<b>\$463.00</b>	<b>\$476.73</b>	<b>\$496.81</b>	<b>\$588.80</b>	<b>\$617.60</b>	<b>\$644.00</b>
% CHANGE	-3.9%	3.0%	4.2%	18.5%	4.9%	4.3%
 CIGARETTE TAX	 \$7.48	 \$7.49	 \$7.48	 \$7.23	 \$7.10	 \$6.80
BEER TAX	\$1.62	\$1.63	\$1.62	\$1.68	\$1.70	\$1.72
WINE TAX	\$1.52	\$1.66	\$1.80	\$1.90	\$2.08	\$2.03
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>
<b>PRODUCT TAXES Subtotal</b>	<b>\$15.57</b>	<b>\$15.73</b>	<b>\$15.84</b>	<b>\$15.76</b>	<b>\$15.83</b>	<b>\$15.50</b>
% CHANGE	3.9%	1.0%	0.7%	-0.5%	0.4%	-2.1%
 KILOWATT-HOUR TAX	 \$2.89	 \$2.97	 \$3.24	 \$2.89	 \$2.80	 \$2.80
MINE LICENSE TAX	\$0.80	\$0.66	\$0.96	\$1.98	(\$0.79)	\$0.40
TREASURER	\$18.54	\$18.24	\$17.93	\$18.69	\$17.70	\$12.10
JUDICIAL BRANCH	\$4.24	\$4.71	\$5.02	\$5.13	\$5.30	\$5.40
DEPT. OF INSURANCE	\$36.13	\$40.26	\$42.85	\$45.47	\$45.28	\$46.32
DEPT. OF LAW ENFCMNT	\$1.05	\$1.14	\$1.15	\$1.16	\$1.20	\$1.22
UNCLAIMED PROPERTY	\$1.39	\$0.83	\$1.17	\$1.59	\$0.90	\$0.90
OTHER DEPTS. & TRANS.	<u>\$4.51</u>	<u>\$3.41</u>	<u>\$3.70</u>	<u>\$5.67</u>	<u>\$11.05</u>	<u>\$8.70</u>
<b>MISC. REVENUE Subtotal</b>	<b>\$69.55</b>	<b>\$72.23</b>	<b>\$76.01</b>	<b>\$82.57</b>	<b>\$83.44</b>	<b>\$77.84</b>
% CHANGE	9.6%	3.9%	5.2%	8.6%	1.0%	-6.7%
 <b>TOTAL GENERAL FUND</b>	 <b>\$1,350.94</b>	 <b>\$1,391.86</b>	 <b>\$1,482.14</b>	 <b>\$1,624.43</b>	 <b>\$1,708.36</b>	 <b>\$1,780.93</b>
% CHANGE	4.9%	3.0%	6.5%	9.6%	5.2%	4.2%

\* Totals may not add due to rounding.

# INDIVIDUAL INCOME TAX

**Description:** (Title 63, Chapter 30, *Idaho Code*)

Collections from the individual income tax are based on a graduated scale of tax rates that are applied to brackets of taxable income. Current and past individual income tax rate brackets are detailed in the following table.

## INDIVIDUAL INCOME TAX RATE HISTORY

<b>Tax Rates on the Portion of Taxable Income <sup>(1)</sup></b>									
<b>Greater Than</b>	\$0	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	\$7,500	\$20,000
<b>But Not More Than</b>	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	\$7,500	\$20,000	
Tax 1931	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%	4.0%	4.0%
Years 1933	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.0%	6.0%	6.0%
1935	1.5%	3.0%	4.0%	5.0%	6.0%	8.0%	8.0%	8.0%	8.0%
1955 <sup>2</sup>	1.61%	3.23%	4.30%	5.38%	6.45%	8.60%	8.60%	8.60%	8.60%
1957 <sup>3</sup>	2.0%	4.0%	5.5%	6.6%	7.7%	8.8%	8.8%	8.8%	8.8%
1959	3.5%	5.0%	6.5%	7.5%	8.5%	9.5%	9.5%	9.5%	9.5%
1963	3.4%	5.5%	7.2%	8.25%	9.35%	10.5%	10.5%	10.5%	10.5%
1965	2.5%	5.0%	6.0%	7.0%	8.0%	9.0%	9.0%	9.0%	9.0%
1972	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.5%	7.5%
1987	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.8%	8.2%

1. Amounts shown are for single and married filing separate returns.

For all other filing status returns double the income amounts at the top of the columns.

2. Rates shown include 7.5% surcharge on all brackets. Effective in 1955 and 1956.

3. Rates shown include 10% surcharge on brackets greater than \$2000. Effective in 1957 and 1958.

State law pertaining to the Idaho income tax base conforms to most of the provisions enacted in the federal Internal Revenue Code (IRC). Notable exceptions include: a) retention of the state investment tax credit, including its tie-in to the federal definition of eligible property, and b) enactment of a limited capital gains exclusion at the state level that has a different basis than the recently reenacted federal capital gains exclusion. In 1999 the Legislature enacted an additional \$150 standard deduction for joint returns. This was done to reduce the so-called "marriage penalty."

Most individual income tax collections occur through the monthly withholding process. The remainder is collected through filing collections, which consist of payments made with tax returns and payments associated with audit recoveries. Since the enactment of Idaho's income tax in 1931, all net tax liability, interest, and penalties have been distributed to the General Fund. (An amount equal to 20% of the individual income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Fund. Any balance exceeding \$400,000 in the State Income Tax Refund Fund at the end of the year is transferred to the General Fund on June 30.) A separate filing tax of \$10 per income tax return has been assessed since 1959. Proceeds of the filing tax went to the General Fund until 1961, when their distribution was changed to the Permanent Building Fund. The income tax return form includes a variety of other "checkoffs" that can be used by the taxpayer to donate various amounts (usually from refunds) to special funds such as nongame wildlife, drug enforcement, etc.

## Basis of Projection:

The projections of General Fund revenue from the individual income tax for FY 2000 and FY 2001 are based on a combination of econometric analysis and judgment.

The econometric analysis begins with the Idaho Economic Model (IEM), an economic base model of Idaho's economy that is used to derive employment by industry and by income type. Idaho income data is then used to correlate historical net withholding collections (gross withholding collections less refunds) to Idaho wage and salary payments. Filing collections are estimated using proprietors' income as the primary explanatory variable.

The econometric-based forecast of net withholding collections and filing collections are then adjusted to reflect: a) new features of the tax law that are expected to impact future collections and accruals, and b) effects of other factors that are expected to have impacts not reflected in the econometric analysis.

The forecast that follows assumes no further change in current Idaho income tax law, a standard practice of this Division's revenue forecasts.

## Historical Data:

### INDIVIDUAL INCOME TAX

(\$ THOUSANDS)

Year		Gross Collections	Distributions			% Share of Total Gen. Fund
			Refunds	Gen. Fund	Perm. Building Fund Misc. "Check-Off" Donations	
FY70	Actual	\$45,142.4	\$6,603.4	\$35,858.8	\$1,120.0	36.4%
FY71	Actual	51,186.4	7,512.8	40,738.9	1,104.3	38.5%
FY72	Actual	64,107.9	9,460.1	51,235.1	1,040.2	41.7%
FY73	Actual	76,510.6	13,658.2	59,164.7	977.7	41.0%
FY74	Actual	95,374.0	16,058.6	75,103.7	973.4	42.7%
FY75	Actual	117,911.0	23,372.8	89,566.5	1,046.8	43.6%
FY76	Actual	131,064.3	24,436.3	99,387.0	940.7	43.9%
FY77	Actual	150,650.7	29,844.0	116,587.3	920.6	46.2%
FY78	Actual	169,195.1	24,210.7	143,660.6	39.6	48.8%
FY79	Actual	198,231.0	31,245.2	163,203.8	907.8	49.3%
FY80	Actual	212,761.8	35,322.8	172,620.9	1,081.4	48.3%
FY81	Actual	242,743.6	41,262.4	196,892.1	1,093.2	50.8%
FY82	Actual	264,162.3	45,070.0	215,835.5	1,082.1	53.3%
FY83	Actual	272,845.0	56,725.0	212,356.6	1,064.1	51.2%
FY84	Actual	287,957.0	54,731.7	230,002.0	3,008.0	46.4%
FY85	Actual	314,955.9	62,164.8	249,277.9	3,322.7	45.4%
FY86	Actual	324,704.5	63,132.6	258,065.2	3,275.8	45.2%
FY87	Actual	331,393.7	63,191.4	264,128.9	3,842.1	41.8%
FY88	Actual	340,376.7	50,486.1	287,156.0	2,581.4	42.5%
FY89	Actual	394,403.4	47,582.5	343,077.5	3,551.4	44.4%
FY90	Actual	459,019.4	56,873.5	398,284.0	3,668.1	46.5%
FY91	Actual	508,711.2	72,282.6	432,218.3	3,984.1	47.9%
FY92	Actual	543,233.5	80,435.4	459,438.2	3,157.0	48.3%
FY93	Actual	609,443.1	96,209.4	508,023.1	4,998.9	48.7%
FY94	Actual	671,419.7	107,859.3	559,166.6	4,215.4	47.7%
FY95	Actual	724,809.1	123,717.5	596,457.5	4,459.0	46.3%
FY96	Actual	770,804.9	115,072.5	650,850.0	4,708.5	48.2%
FY97	Actual	830,855.9	121,650.3	704,819.9	4,236.1	50.6%
FY98	Actual	914,961.2	133,761.8 <sup>1</sup>	776,192.0	4,817.3	52.4%
FY99	Actual	989,401.5	142,222.8	841,865.0	5,107.5	51.8%
FY00	Projection	1,056,000.0	158,600.0	892,200.0	5,200.0	52.2%
FY01	Projection	1,119,800.0	172,200.0	942,100.0	5,300.0	52.9%

1. Includes a \$1.1 million increase in the refund fund balance.



# CORPORATE INCOME TAX

**Description:** (Title 63, Chapter 30, *Idaho Code*)

Collections from the corporate income tax are currently based on a flat rate of 8.0% applied to taxable income. For a listing of earlier rates refer to the following table. Beginning with tax year 1987, Idaho conformed to the changes made by the Tax Reform Act of 1986, except for the federal investment tax credit repeal. Idaho continues to allow a 3% credit that is tied to the federal definition of eligible property. Also, since September 1987, Idaho has required that corporations file quarterly payments of estimated taxes. This provision is based upon federal rules and was phased in over a two-year period.

## CORPORATE INCOME TAX RATE HISTORY

Tax Rates on the Portion of Income:								
Greater Than		\$0	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000
But Not								
More Than		\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	
Tax	1931	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%
Years	1933	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.0%
	1935	1.5%	3.0%	4.0%	5.0%	6.0%	6.0%	8.0%
	1954 <sup>1</sup>	1.28%	2.55%	3.40%	4.25%	5.10%	5.10%	6.80%
	1955	7.5%	Beginning of Single "Flat" Tax Rate on all Positive Net Taxable Income					
	1957	8.0% + 10% Surcharge in 1957 and 1958.						
	1959	9.5%						
	1963	10.5%						
	1965	6.0%						
	1972	6.5%						
	1981	6.5% + 0.2% franchise tax up to \$250,000.						
	1983	7.7%						
	1987	8.0%						

1. Same tax rate as 1954 but with the inclusion of a 15% reduction (negative surcharge).

Since its enactment in 1931, all net tax liability, interest, and penalties associated with the corporate income tax have been distributed to the General Fund. (An amount equal to 20% of the corporate income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Fund. Any balance exceeding \$400,000 in the State Income Tax Refund Fund at the end of the year is transferred to the General Fund on June 30.) An additional filing tax of \$10 per tax return has been assessed since 1959. Proceeds of the filing tax went to the General Fund until 1961, when their distribution was changed to the Permanent Building Fund.

## Basis of Projection:

Projections of the General Fund revenue from the corporate income tax are based on a combination of econometric analysis, a simulation model of the cash-flow process under quarterly payments, and judgment. Historical corporate income tax collections are correlated with income and financial concepts found in the IEM and DRI's *Review of the U.S. Economy*.

The revenue collected in FY 1991 declined as a consequence of declines in one-time cash flow from quarterly payments. Quarterly payments have also accelerated the response time between changes in profit conditions and corporate income tax cash flow. When combined with multi-state apportionment, this yields an accelerated link between national economic conditions and Idaho corporate income tax receipts. The sharp drop in corporate income tax collections in FY 1997 is the result of the semiconductor price collapse that struck the DRAM industry in 1996.

## Historical Data:

### CORPORATE INCOME TAX

(\$ THOUSANDS)

Year		Gross Collections	Distributions				% Share of Total Gen. Fund
			Refunds	Gen. Fund	Perm. Building Fund	Multi-State Tax Compact	
FY70	Actual	\$11,125.8	\$1,661.1	\$10,645.6	\$52.1		10.8%
FY71	Actual	12,562.9	1,875.8	11,736.1	57.5		11.1%
FY72	Actual	12,895.0	1,924.9	12,276.3	62.7		10.0%
FY73	Actual	16,024.7	3,340.0	15,220.2	68.7		10.5%
FY74	Actual	23,076.0	4,021.6	22,161.0	74.0		12.6%
FY75	Actual	28,161.7	5,616.1	26,978.7	81.1		13.1%
FY76	Actual	31,751.8	2,215.4	29,448.9	87.6		13.0%
FY77	Actual	31,033.6	1,931.6	29,009.9	92.1		11.5%
FY78	Actual	33,326.2	2,481.8	30,802.9	41.5		10.5%
FY79	Actual	39,247.1	3,322.2	35,869.3	55.5		10.8%
FY80	Actual	42,603.9	3,133.3	39,363.2	107.4		11.0%
FY81	Actual	50,875.5	4,416.2	46,288.4	127.2	\$43.6	11.9%
FY82	Actual	45,602.0	5,416.2	40,010.6	146.4	26.3	9.9%
FY83	Actual	39,673.6	10,191.3	29,281.3	149.0	51.9	7.1%
FY84	Actual	42,226.7	15,504.7	26,535.3	116.6	70.1	5.4%
FY85	Actual	49,660.1	6,698.2	42,788.0	133.6	40.3	7.8%
FY86	Actual	50,253.2	6,900.6	43,138.4	150.2	63.9	7.6%
FY87	Actual	53,276.8	6,878.1	46,165.9	190.9	41.9	7.3%
FY88	Actual	74,230.7	10,070.2	63,906.1	160.3	94.0	9.5%
FY89	Actual	80,394.1	7,152.7	72,962.6	209.6	69.3	9.4%
FY90	Actual	82,635.9	9,914.5	72,492.0	212.3	17.2	8.5%
FY91	Actual	72,265.0	11,995.9	60,017.2	252.0	0.0	6.7%
FY92	Actual	71,443.1	13,162.9	57,971.3	194.2	114.7	6.1%
FY93	Actual	83,582.6	13,194.3	70,003.8	282.0	102.5	6.7%
FY94	Actual	102,772.3	14,870.6	87,628.2	196.8	76.7	7.5%
FY95	Actual	152,809.5	20,818.3	131,636.1	250.7	104.4	10.2%
FY96	Actual	173,392.5	21,128.3	151,979.2	246.7	38.3	11.2%
FY97	Actual	138,276.6	15,479.0	122,357.2	249.5	190.9	8.8%
FY98	Actual	136,996.0	19,301.9	117,286.4	283.7	124.0	7.9%
FY99	Actual	117,073.9	20,927.4	95,437.7	270.0	438.8	5.9%
FY00	Projection	121,000.0	21,600.0	99,300.0	300.0	200.0	5.8%
FY01	Projection	122,000.0	20,000.0	101,500.0	300.0	200.0	5.7%

# SALES TAX

**Description:** (Title 63, Chapter 36, *Idaho Code*)

Sales tax collections are based on a flat rate of 5% applied to the sales price or value of tangible personal property and services that are subject to sales and use taxation. The rate and distribution history is shown on the following table.

**SALES TAX RATE HISTORY AND DISTRIBUTION FORMULA**  
(\$ THOUSANDS)

Effective Date	Tax Rate	Gen. Fund	Perm. Build Fund	Rev. Sharing	Alloc. to Counties <sup>7</sup>	Pollut- ion Control	Public School Inc. Fund	Misc. Distributions
Jul-1965	<u>3.0%</u>	Bal.	\$500					1,2
Jul-1968	3.0%	Bal.	\$500		<del>5.0%</del>			2
Jul-1969	3.0%	Bal.	\$500		10.0%			2
Jul-1970	3.0%	Bal.	\$500		<del>15.0%</del>			2
Jul-1971	3.0%	Bal.	\$500		20.0%			2
Jul-1975	3.0%	Bal.	\$500		20.0%			2,4
Jul-1976	3.0%	Bal.	\$500		20.0%			2,4
Jul-1977	3.0%	Bal.	\$500		20.0%			2,3,4
Jul-1980	3.0%	Bal.	\$500		<del>10.0%</del>		<del>10.0%</del>	2,3,4
Mar-1983	4.0%	Bal.	\$500		10.0%		10.0%	2,3,4
Jun-1983	<u>4.5%</u>	Bal.	\$500		10.0%		10.0%	2,3,4
Jul-1984	<del>4.0%</del>	Bal.	\$500	<del>6.25%</del>	<del>7.5%</del>	<del>\$4,800</del>		3,4
Apr-1986	<u>5.0%</u>	Bal.	\$500	6.25%	7.5%	\$4,800		3,4
Jul-1987	5.0%	Bal.	\$500	<del>7.75%</del>	<del>6.0%</del>	\$4,800		3,4
Jul-1988	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800		3,4,5
Jul-1995	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800		3,4,5,6
Jul-1998	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800		3,4,5

1. Amount equal to 1-mill of all assessed property values distributed to Teachers Retirement System;  
\$1,000,000 lump sum (one-time) distribution to Tax Commission.
2. Amount equal to the sum required to be certified by the state controller distributed to the Social Security Trust Fund.
3. Amount equal to the sum required to be certified by the Idaho housing agency.
4. \$1.00 per registration fee on vehicle registration transfers that do not involve sales tax.
5. Amount certified by the Tax Commission as necessary to fund the Circuit Breaker.
6. Amount necessary to fund Property Tax Relief.
7. For the period March 1983 through June 1984 this percentage was applied only to the 3% "base" sales tax rate.

Sales tax funds must be allocated to the Idaho Housing and Finance Association if, within 60 days of the close of the fiscal year, the Chairman of the Housing and Finance Association Board of Commissioners certifies to the State Tax Commission that a deficiency exists in the agency's Capital Reserve Fund. No such certification has been made in any year, nor is one anticipated for the current fiscal year. Beginning in 1996, this provision is limited to no more than \$89 million. Also, it only applies to bonds issued prior to 1996. In effect, this provision has been repealed for bonds issued on or after January 1996.

## Basis of Projection:

The projections of FY 2000 and FY 2001 net General Fund accruals from the sales tax are based on econometric analysis and judgment. Historic monthly gross collections data are first adjusted for changes in the tax rate and any major collection anomalies. The adjusted data is then related to Idaho wage and salary disbursements and construction data using econometric analysis. Income forecasts from the *Idaho Economic Forecast* are then used to forecast gross sales tax collections. Historical refund levels and the current distribution formula are used to translate gross collections to net General Fund accruals. FY 2000 collections and accruals are also extrapolated from receipts-to-date, based on historical collection patterns. Judgmental considerations include the results of ongoing revenue monitoring and the expected impacts of new compliance and audit activities.

## Historical Data:

### SALES TAX (\$ THOUSANDS)

		Gross Collections	Distributions								% Share of Total Gen. Fund	
			Refunds	Gen. Fund	Perm. Building Fund	Rev. Sharing	Alloc. To Counties	Pollution Control	Circuit Breaker	Property Tax Relief		Misc. Dist.
Year												
FY70	Actual	\$41,678.2	\$61.6	\$33,055.0	\$500.0		\$4,161.7				\$3,899.9 <sup>1,2</sup>	33.6%
FY71	Actual	45,368.6	101.9	34,076.7	500.0		6,790.0				3,900.0 <sup>1,2</sup>	32.2%
FY72	Actual	51,704.1	81.1	36,967.1	500.0		10,324.6				3,831.3 <sup>1,2</sup>	30.1%
FY73	Actual	60,999.6	70.3	43,281.3	500.0		12,186.1				4,961.9 <sup>1,2</sup>	30.0%
FY74	Actual	69,833.3	340.7	49,250.0	500.0		13,898.5				5,844.1 <sup>1,2</sup>	28.0%
FY75	Actual	79,108.7	100.4	57,022.8	500.0		15,801.7				5,683.8 <sup>1</sup>	27.8%
FY76	Actual	88,874.0	137.5	63,650.6	500.0		17,747.3				6,838.6 <sup>1</sup>	28.1%
FY77	Actual	103,859.6	219.2	73,594.5	500.0		20,728.1				8,817.8 <sup>1</sup>	29.2%
FY78	Actual	118,866.2	157.0	84,107.4	500.0		23,741.8				10,360.0 <sup>1</sup>	28.6%
FY79	Actual	129,906.4	205.9	91,463.6	500.0		25,940.1				11,796.8 <sup>1</sup>	27.6%
FY80	Actual	137,113.9	264.5	95,984.6	500.0		27,369.9				12,994.9 <sup>1</sup>	26.9%
FY81	Actual	145,008.0	220.5	97,679.3	500.0		14,476.0				32,132.2 <sup>1,2</sup>	25.2%
FY82	Actual	146,206.9	311.8	98,720.2	500.0		14,607.4				32,067.5 <sup>1,2</sup>	24.4%
FY83	Actual	165,441.1	181.2	115,407.0	500.0		15,266.3				34,086.6 <sup>1,2</sup>	27.8%
FY84	Actual	241,838.4	596.2	188,422.1	500.0		16,192.2				36,127.9 <sup>1,2</sup>	38.0%
FY85	Actual	238,544.3	449.7	200,026.6	500.0	\$14,876.1	17,851.5	\$4,800.0			40.4 <sup>3</sup>	36.4%
FY86	Actual	250,490.1	516.8	211,564.2	500.0	15,036.7	18,044.1	4,800.0			28.3 <sup>3</sup>	37.0%
FY87	Actual	297,892.0	538.4	259,358.6	500.0	14,853.3	17,827.1	4,800.0			14.6 <sup>3</sup>	41.0%
FY88	Actual	311,382.5	672.5	258,762.1	500.0	24,084.5	18,637.1	4,800.0	\$3,890.1		36.2 <sup>3</sup>	38.3%
FY89	Actual	346,682.3	882.4	288,780.3	500.0	26,785.4	20,737.1	4,800.0	4,171.7		25.4 <sup>3</sup>	37.4%
FY90	Actual	383,096.0	1,664.0	319,290.7	500.0	29,540.7	22,870.2	4,800.0	4,335.5		94.9 <sup>3</sup>	37.3%
FY91	Actual	404,146.4	3,403.1	335,739.5	500.0	31,036.1	24,028.3	4,800.0	4,491.1		148.3 <sup>3</sup>	37.2%
FY92	Actual	435,715.5	1,799.1	364,323.0	500.0	33,612.2	26,022.6	4,800.0	4,606.1		52.5 <sup>3</sup>	38.3%
FY93	Actual	481,357.9	1,163.9	402,819.5	500.0	37,195.6	28,796.9	4,800.0	6,031.2		50.8 <sup>3</sup>	38.6%
FY94	Actual	541,503.6	1,739.0	452,684.8	500.0	41,789.3	32,353.2	4,800.0	7,504.3		132.9 <sup>3</sup>	38.6%
FY95	Actual	575,751.5	1,767.4	481,568.8	500.0	44,455.1	34,435.8	4,800.0	8,241.1		-16.6 <sup>3</sup>	37.4%
FY96	Actual	602,573.0	2,114.2	462,999.7	500.0	46,554.3	36,023.2	4,800.0	8,807.0	40,757.1	17.6 <sup>3</sup>	34.3%
FY97	Actual	624,631.8	2,109.4	476,726.1	500.0	48,240.6	37,347.6	4,800.0	9,609.0	45,238.4	60.7 <sup>3</sup>	34.3%
FY98	Actual	655,182.6	2,023.6	496,807.8	500.0	50,572.4	39,152.8	4,800.0	10,331.1	50,400.4	594.5 <sup>3</sup>	33.5%
FY99	Actual	704,734.8	2,784.7	588,796.7	500.0	54,237.7	41,979.4	4,800.0	10,891.7	0.0	744.6	36.2%
FY00	Projected	737,600.0	2,093.8	617,600.0	500.0	57,007.1	44,134.5	4,800.0	11,464.6	0.0	0.0	36.2%
FY01	Projected	768,700.0	2,093.9	644,000.0	500.0	59,410.7	45,995.4	4,800.0	11,900.0	0.0	0.0	36.2%

Please Note: The column titled "Misc. Dist." is used to display other distributions as noted below.

1. Social Security Trust.
2. Public School Income.
3. Multi-State Tax Compact.

# CIGARETTE TAX

**Description:** (Title 63, Chapter 25, *Idaho Code*)

Cigarette tax collections are based on a rate of one and four-tenths of a cent (1.4 cent) per cigarette or 28 cents per package of 20 cigarettes. Five cents per package of cigarettes are distributed to the Public School Income Fund and five cents are earmarked for County Juvenile Probation Services. Of the remaining 18 cents per package of cigarettes, 43.3% is distributed to the Permanent Building Fund; 6.7% is distributed to the Water Pollution Control Fund; 1% (to a maximum of the legislative appropriation) is distributed to the Central Cancer Registry Fund; 2.5% is distributed to the Cancer Control Fund; and the remainder is distributed to the General Fund.

## CIGARETTE TAX RATE AND DISTRIBUTION HISTORY

Effective Date	Rate Per Cigarette	Distribution to PSIF Per Cigarette	Distribution to Juv. Prob. Svcs. Per Cigarette	Distribution of Remaining Receipts as Percent or \$ per Cigarette				
				Gen. Fund	Central Cancer Reg. Fund <sup>2</sup>	Perm. Build. Fund	Water Poll. Control	Cancer Control Fund
May-1945	\$0.00100			100.0%				
Jul-1947	0.00150			100.0%				
Jul-1955	0.00200			100.0%				
Jul-1959	0.00250			100.0%				
Jul-1961	0.00300			\$0.00250		\$0.00050		
Jul-1963	0.00350			\$0.00300		0.00050		
Jul-1972	0.00455			\$0.00350	\$0.00005 to \$40,000	0.00050	\$0.00050	
Jul-1974	0.00455			Balance	1.099% to \$40,000	10.989%	10.989%	
Jul-1975	0.00455			Balance	1.099% to \$55,000	10.989%	10.989%	
Jul-1978	0.00455			Balance	1.099% to \$70,000	10.989%	10.989%	
Jul-1979	0.00455			Balance	1.099% to \$70,000	10.989%	10.989%	3.645%
Jul-1980	0.00455			Balance	1.099% to \$85,000	10.989%	10.989%	3.645%
Jul-1982	0.00455			Balance	1.099% to \$95,000	10.989%	10.989%	3.645%
Jul-1984	0.00455			Balance	1.099% to \$100,000	10.989%	10.989%	3.645%
Mar-1987	0.00900 <sup>1</sup>			Balance <sup>1</sup>	1.099% to \$100,000	10.989%	10.989%	3.645%
Jul-1987	0.00900			Balance	1.000% to \$100,000	43.300%	6.700%	2.500%
Jul-1989	0.00900			Balance	1.000% to \$110,000	43.300%	6.700%	2.500%
Jul-1994	0.01400	\$0.00500		Balance	1.000% <sup>3</sup>	43.300%	6.700%	2.500%
Mar-1995	0.01400	0.00250	\$0.00250	Balance	1.000% <sup>3</sup>	43.300%	6.700%	2.500%

1. From March 1, 1987 to July 1, 1987 the additional \$.00445 was ~~all~~ distributed to the General Fund.

2. The Central Cancer Registry Fund receives the lesser of its percentage or its dollar cap.

3. On July 1, 1994 the \$110,000 limit was replaced with a limit not to exceed the legislative appropriation.

## Basis of Projection:

The projections of General Fund revenues from this source for FY 2000 and FY 2001 are based on a subjective assessment of recent collections history, Idaho population growth, and the trend toward decreased per capita cigarette consumption.

## Historical Data:

### CIGARETTE TAX

(\$ THOUSANDS)

			Distributions							% Share of Total Gen. Fund	
			Gen. Fund	Perm. Building Fund	Refunds	Water Pollution Fund	Cancer Control Fund	Central Cancer Registry Fund	Public School Endow. Fund		County Juvenile Probation Fund
Year		Gross Collections	Gen. Fund	Perm. Building Fund	Refunds	Water Pollution Fund	Cancer Control Fund	Central Cancer Registry Fund	Public School Endow. Fund	County Juvenile Probation Fund	% Share of Total Gen. Fund
FY70	Actual	\$4,885.9	\$4,188.0	\$697.9							4.3%
FY71	Actual	5,173.4	4,434.4	739.0							4.2%
FY72	Actual	6,136.8	5,260.2	876.6							4.3%
FY73	Actual	8,074.5	6,248.4	867.1		\$919.1		\$40.0			4.3%
FY74	Actual	8,365.7	6,475.7	925.0		925.0		40.0			3.7%
FY75	Actual	8,544.4	6,599.6	939.1	\$26.6	939.1		40.0			3.2%
FY76	Actual	8,866.2	6,868.8	959.9	22.5	959.9		55.0			3.0%
FY77	Actual	8,980.5	6,926.6	983.8	31.3	983.8		55.0			2.7%
FY78	Actual	9,098.5	7,010.6	995.0	43.0	995.0		55.0			2.4%
FY79	Actual	8,919.2	6,841.5	974.2	59.2	974.2		70.0			2.1%
FY80	Actual	9,009.1	6,580.3	981.9	69.3	981.9	\$325.7	70.0			1.8%
FY81	Actual	9,331.1	6,802.3	1,017.8	70.7	1,017.8	337.6	85.0			1.8%
FY82	Actual	9,244.3	6,717.1	1,004.7	99.5	1,004.7	333.2	85.0			1.7%
FY83	Actual	9,288.9	6,746.1	1,010.8	91.0	1,010.8	335.3	95.0			1.6%
FY84	Actual	8,989.8	6,523.7	978.0	90.8	978.0	324.4	95.0			1.3%
FY85	Actual	8,854.8	6,405.2	960.1	114.9	960.1	318.5	96.0			1.2%
FY86	Actual	8,536.9	6,150.2	922.3	143.9	922.3	305.9	92.2			1.1%
FY87	Actual	10,552.8	8,193.4	911.8	142.2	911.8	302.4	91.2			1.3%
FY88	Actual	15,033.9	6,921.0	6,399.8	253.8	989.8	369.5	100.0			1.0%
FY89	Actual	14,782.8	6,792.8	6,283.4	271.6	972.3	362.8	100.0			0.9%
FY90	Actual	12,738.7	5,884.3	5,464.3	119.1	845.5	315.5	110.0			0.7%
FY91	Actual	14,696.2	6,863.4	6,356.8	15.4	983.6	367.0	110.0			0.8%
FY92	Actual	15,205.6	7,072.3	6,547.2	85.0	1,013.1	378.0	110.0			0.7%
FY93	Actual	15,029.6	6,995.1	6,490.5	40.0	1,004.3	374.7	125.0			0.7%
FY94	Actual	16,394.3	7,605.6	7,047.1	119.4	1,090.4	406.9	125.0			0.6%
FY95	Actual	23,270.6	7,245.6	6,733.5	63.8	1,041.9	388.8	141.0	\$6,537.6	\$1,118.4	0.6%
FY96	Actual	25,228.0	7,476.5	6,944.0	281.9	1,074.5	400.9	141.0	4,454.6	4,454.6	0.6%
FY97	Actual	25,053.3	7,486.5	6,953.0	74.7	1,075.9	401.4	141.0	4,460.4	4,460.4	0.5%
FY98	Actual	24,951.0	7,476.9	6,944.3	3.7	1,074.5	400.9	141.0	4,454.8	4,454.8	0.5%
FY99	Actual	24,195.2	7,230.0	6,732.5	8.9	1,041.7	388.7	155.5	4,318.9	4,318.9	0.4%
FY00	Projection	23,817.3	7,100.0	6,611.4	65.8	1,023.0	381.7	152.7	4,241.3	4,241.3	0.4%
FY01	Projection	22,813.7	6,800.0	6,332.0	65.8	979.8	365.6	146.2	4,062.1	4,062.1	0.4%

# BEER TAX

**Description:** (Title 23, Chapter 10, *Idaho Code*)

A total tax of \$4.65 per 31-gallon barrel, or its equivalent, is levied on beer sold in Idaho. Of the total, 20% is distributed to the Alcoholism Treatment Fund, 33% to the Permanent Building Fund, and the remainder (47%) to the General Fund. Historical rates of the tax and its distribution are listed below.

## BEER TAX RATE HISTORY AND DISTRIBUTION MECHANISM

Effective Date	Rate Per 31 Gal. Barrel	Distribution Mechanism
Mar-1935	\$1.55	50% to General Fund (GF); 50% to Public School Income Fund.
Jul-1939	\$1.55	100% to GF.
Jul-1947	\$3.10	100% to GF.
Jul-1961	\$4.65	\$3.10 to GF; \$1.55 to Permanent Building Fund (PBF).
Jul-1980	\$4.65	\$2.17 to GF; \$1.55 to PBF; \$.93 to Alcoholism Treatment Fund (ATF).
Jul-1986	\$4.65	47% to GF; 33% to PBF; 20% to ATF.

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2000 and FY 2001 are based on an assessment of recent collections, the slow decline in per capita beer consumption, and Idaho population growth.

**Historical Data:**

**BEER TAX**  
(\$ THOUSANDS)

		Gross Collections	Distributions				% Share of Total Gen. Fund
			Gen. Fund	Perm. Building Fund	Refunds	Alcoholism Treatment Fund	
FY70	Actual	\$1,989.6	\$1,326.5	\$663.1			1.3%
FY71	Actual	2,097.3	1,398.3	699.1			1.3%
FY72	Actual	2,316.1	1,544.1	772.0			1.3%
FY73	Actual	2,564.2	1,709.6	854.5			1.2%
FY74	Actual	2,690.0	1,793.4	896.5			1.0%
FY75	Actual	2,938.3	1,959.0	979.3			1.0%
FY76	Actual	3,062.9	2,023.2	1,011.6	\$28.1		0.9%
FY77	Actual	3,241.1	2,144.3	1,072.0	24.8		0.9%
FY78	Actual	3,326.7	2,200.7	1,100.3	25.7		0.7%
FY79	Actual	3,466.0	2,291.6	1,145.7	28.6		0.7%
FY80	Actual	3,516.2	2,326.4	1,163.2	26.6		0.7%
FY81	Actual	3,215.4	1,498.8	1,068.9	4.7	\$642.9	0.4%
FY82	Actual	3,574.6	1,669.0	1,190.5	0.9	714.3	0.4%
FY83	Actual	3,532.0	1,650.3	1,176.0	0.0	705.6	0.4%
FY84	Actual	3,442.5	1,607.0	1,147.1	0.0	688.3	0.3%
FY85	Actual	3,422.2	1,597.5	1,140.1	0.5	684.1	0.3%
FY86	Actual	3,312.6	1,545.5	1,103.5	1.6	662.1	0.3%
FY87	Actual	3,311.6	1,554.9	1,091.8	3.2	661.7	0.2%
FY88	Actual	3,251.7	1,527.6	1,072.6	1.4	650.0	0.2%
FY89	Actual	3,244.5	1,509.9	1,060.1	31.9	642.5	0.2%
FY90	Actual	3,304.6	1,552.1	1,089.8	2.2	660.5	0.2%
FY91	Actual	3,414.7	1,602.5	1,125.2	5.1	681.9	0.2%
FY92	Actual	3,525.6	1,656.9	1,163.4	0.3	705.1	0.2%
FY93	Actual	3,621.6	1,701.6	1,194.7	1.2	724.1	0.2%
FY94	Actual	3,643.1	1,711.8	1,201.9	1.0	728.4	0.1%
FY95	Actual	3,521.7	1,654.1	1,161.4	2.3	703.9	0.1%
FY96	Actual	3,455.6	1,620.9	1,138.1	7.0	689.7	0.1%
FY97	Actual	3,468.6	1,629.9	1,144.4	0.8	693.6	0.1%
FY98	Actual	3,445.8	1,619.4	1,137.0	0.2	689.1	0.1%
FY99	Actual	3,585.6	1,683.9	1,182.3	2.8	716.5	0.1%
FY00	Projection	3,619.0	1,700.0	1,193.6	2.0	723.4	0.1%
FY01	Projection	3,661.5	1,720.0	1,207.7	2.0	731.9	0.1%



# WINE TAX

**Description:** (Title 23, Chapter 13, *Idaho Code*)

A tax of \$0.45 per gallon is levied on wine and beer containing more than 4% alcohol sold in Idaho. Of the total, 12% is distributed to goes to the Alcoholism Treatment Fund, 5% to the Idaho Grape Growers and Wine Producers Commission Fund, and the remainder (83%) to the General Fund. Historical rates of the tax and its distribution are listed in the table below.

## WINE TAX RATE HISTORY AND DISTRIBUTION MECHANISM

Effective Date	Rate Per Gallon	State of Origin	Distribution Mechanism
Jul-1971	\$0.45	All	100% to General Fund (GF).
Jul-1980	\$0.45	All	\$0.40 to GF; \$0.05 to Alcoholism Treatment Fund (ATF).
Jul-1984	\$0.20	Idaho	\$0.15 to GF; \$0.05 to ATF.
	\$0.45	Non-Idaho	\$0.40 to GF; \$0.05 to ATF.
Jul-1986	\$0.20	Idaho	88% to GF; 12% to ATF.
	\$0.45	Non-Idaho	88% to GF; 12% to ATF.
Jul-1988	\$0.45	All	88% to GF; 12% to ATF.
Jul-1994	\$0.45	All	83% to GF; 12% to ATF; 5% to Idaho Grape Growers & Wine Producers Commission Fund.

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2000 and FY 2001 are based on a subjective assessment of recent collection history, the trend toward lower wine consumption per capita, the rising popularity of microbrewery beers, and Idaho population growth.

**Historical Data:****WINE TAX**

(\$ THOUSANDS)

Year		Gross Collections	Distributions				% Share of Total Gen. Fund
			Gen. Fund	Refunds	Alcoholism Treatment Fund	ID Grape Growers & Wine Producers Commission	
FY70	Actual	\$0.0	\$0.0				0.0%
FY71	Actual	0.0	0.0				0.0%
FY72	Actual	394.9	394.9				0.3%
FY73	Actual	437.1	437.1				0.3%
FY74	Actual	425.5	425.5				0.2%
FY75	Actual	457.7	457.7				0.2%
FY76	Actual	488.5	470.7	\$17.8			0.2%
FY77	Actual	502.3	485.6	16.7			0.2%
FY78	Actual	591.6	573.0	18.6			0.2%
FY79	Actual	652.5	632.1	20.4			0.2%
FY80	Actual	657.6	629.5	28.1			0.2%
FY81	Actual	609.0	526.9	14.6	\$67.5		0.1%
FY82	Actual	759.1	675.3	0.0	83.8		0.2%
FY83	Actual	778.1	692.2	0.0	85.9		0.2%
FY84	Actual	837.5	744.7	0.0	92.9		0.2%
FY85	Actual	872.4	767.0	6.2	99.2		0.1%
FY86	Actual	955.2	844.7	0.9	109.6		0.1%
FY87	Actual	985.4	862.1	5.7	117.6		0.1%
FY88	Actual	989.1	866.7	4.2	118.2		0.1%
FY89	Actual	905.9	788.7	9.6	107.6		0.1%
FY90	Actual	880.7	771.3	4.2	105.2		0.1%
FY91	Actual	853.2	750.1	0.8	102.3		0.1%
FY92	Actual	907.1	753.1	51.3	102.7		0.1%
FY93	Actual	856.4	750.5	3.5	102.3		0.1%
FY94	Actual	918.4	806.2	2.2	109.9		0.1%
FY95	Actual	1,375.5	1,140.5	0.7	165.0	\$69.3	0.1%
FY96	Actual	1,840.4	1,524.1	4.2	220.3	91.8	0.1%
FY97	Actual	2,005.4	1,663.7	1.0	240.5	100.2	0.1%
FY98	Actual	2,170.7	1,800.8	1.0	260.4	108.5	0.1%
FY99	Actual	2,294.1	1,904.0	0.2	275.3	114.7	0.1%
FY00	Projection	2,508.2	2,080.0	2.2	300.7	125.3	0.1%
FY01	Projection	2,448.0	2,030.0	2.2	293.5	122.3	0.1%

# LIQUOR SURCHARGE

**Description:** (Title 23, Chapters 2 and 4, *Idaho Code*)

Revenue is derived from a 15% surcharge on the retail price of liquor sold by the State Liquor Dispensary. Idaho Law provides for a transfer of \$4.945 million annually to the General Fund. Other dedicated moneys from the liquor surcharge include: \$1.2 million to the Alcoholism Treatment Fund, \$0.3 million to the Community College Fund, \$1.2 million to the Public School Income Fund, and \$0.65 million to the Cooperative Welfare Fund. Of the balance of the distribution, 40% is distributed to counties and the remaining 60% is distributed to cities.

**Historical Data:**

## LIQUOR SURCHARGE (\$ THOUSANDS)

		Gross Distribu.	Distributions							% Share of Total Gen. Fund
			Gen. Fund	Alcohol Treat. Fund	Community College Fund	Coop. Welfare Fund	Public School Fund	Budget Reserve Fund	Cities & Counties	
Year										
FY70	Actual	\$7,116.0	\$1,910.4							1.9%
FY71	Actual	8,228.1	2,005.5							1.9%
FY72	Actual	8,686.9	2,401.0							2.0%
FY73	Actual	10,497.1	2,814.7							2.0%
FY74	Actual	10,739.6	2,961.7							1.7%
FY75	Actual	9,445.4	2,517.4							1.2%
FY76	Actual	11,371.8	2,786.1							1.2%
FY77	Actual	10,569.5	2,883.4							1.1%
FY78	Actual	11,241.4	3,192.7							1.1%
FY79	Actual	12,138.3	3,369.9							1.0%
FY80	Actual	13,490.0	3,529.6							1.0%
FY81	Actual	14,378.7	3,741.8							1.0%
FY82	Actual	12,914.8	3,948.1							1.0%
FY83	Actual	15,487.2	3,700.0							0.9%
FY84	Actual	15,170.2	3,820.0							0.8%
FY85	Actual	12,780.1	4,945.0	\$1,200.0	\$300.0	\$650.0	\$1,200.0		\$4,485.1	0.9%
FY86	Actual	12,294.5	4,945.0	1,200.0	300.0	650.0	1,200.0		3,999.5	0.9%
FY87	Actual	12,294.8	4,945.0	1,200.0	300.0	650.0	1,200.0		3,999.8	0.8%
FY88	Actual	10,795.0	4,945.0	1,200.0	300.0	650.0	1,200.0		2,500.0	0.7%
FY89	Actual	11,377.9	4,945.0	1,200.0	300.0	650.0	1,200.0		3,082.9	0.6%
FY90	Actual	12,425.0	4,945.0	1,200.0	300.0	650.0	1,200.0		4,130.0	0.6%
FY91	Actual	12,268.3	4,945.0	1,200.0	300.0	650.0	1,200.0		3,973.3	0.5%
FY92	Actual	12,999.1	4,945.0	1,200.0	300.0	650.0	1,200.0		4,704.1	0.5%
FY93	Actual	12,802.8	4,945.0	1,200.0	300.0	650.0	1,200.0		4,507.8	0.5%
FY94	Actual	26,149.3	5,365.0	1,200.0	300.0	650.0	1,200.0	\$6,255.8	11,178.5	0.4%
FY95	Actual	18,449.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	10,154.3	0.4%
FY96	Actual	16,578.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	8,283.1	0.4%
FY97	Actual	17,417.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	9,122.3	0.4%
FY98	Actual	16,605.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	8,310.7	0.3%
FY99	Actual	16,855.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	8,560.0	0.3%
FY00	Projection	17,283.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	8,988.0	0.3%
FY01	Projection	17,732.4	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	9,437.4	0.3%

# KILOWATT-HOUR TAX

**Description:** (Title 63, Chapter 27, *Idaho Code*)

Revenue is derived from a one-half mill (\$0.0005) per kilowatt-hour tax on electricity generated in the state of Idaho by water power. Power used by industrial consumers and for irrigation is exempt from this tax. All collections accrue to the General Fund. This tax has been levied since July 1, 1931.

**Basis of Projection:**

Kilowatt-hour tax receipts for FY 2000 and FY 2001 are based on an assessment of recent collection history in comparison to river flows, water availability, and changes in power generation capacity.

**Historical Data:**

## KILOWATT-HOUR TAX

(\$ THOUSANDS)

Year		Gross Collections	Distributions		% Share of Total Gen. Fund
			Refunds	Gen. Fund	
FY70	Actual	\$403.3		\$403.3	0.4%
FY71	Actual	575.0		575.0	0.5%
FY72	Actual	550.3		550.3	0.4%
FY73	Actual	826.1		826.1	0.6%
FY74	Actual	592.8		592.8	0.3%
FY75	Actual	408.1		408.1	0.2%
FY76	Actual	1,255.7	\$88.4	1,167.3	0.5%
FY77	Actual	597.1	0.1	597.0	0.2%
FY78	Actual	510.4	0.0	510.4	0.2%
FY79	Actual	1,651.8	0.0	1,651.8	0.5%
FY80	Actual	1,404.9	0.0	1,404.9	0.4%
FY81	Actual	1,607.5	0.0	1,607.5	0.4%
FY82	Actual	1,755.6	0.0	1,755.6	0.4%
FY83	Actual	2,176.9	0.0	2,176.9	0.5%
FY84	Actual	2,412.7	0.0	2,412.7	0.5%
FY85	Actual	2,270.6	0.0	2,270.6	0.4%
FY86	Actual	2,100.9	0.0	2,100.9	0.4%
FY87	Actual	1,819.2	0.0	1,819.2	0.3%
FY88	Actual	1,487.0	0.0	1,487.0	0.2%
FY89	Actual	1,593.6	0.0	1,593.6	0.2%
FY90	Actual	1,677.0	0.0	1,677.0	0.2%
FY91	Actual	1,783.2	0.0	1,783.2	0.2%
FY92	Actual	1,615.8	5.3	1,610.5	0.2%
FY93	Actual	1,478.7	29.4	1,449.3	0.1%
FY94	Actual	2,125.0	37.0	2,088.0	0.2%
FY95	Actual	1,686.5	0.0	1,686.5	0.1%
FY96	Actual	2,947.0	57.1	2,889.9	0.2%
FY97	Actual	2,973.6	0.0	2,973.6	0.2%
FY98	Actual	3,239.9	0.0	3,239.9	0.2%
FY99	Actual	2,885.7	0.0	2,885.7	0.2%
FY00	Projection	2,800.0	0.0	2,800.0	0.2%
FY01	Projection	2,800.0	0.0	2,800.0	0.2%

## MINE LICENSE TAX

**Description:** (Title 47, Chapter 12, *Idaho Code*)

Revenue is derived from a 2% "profit" tax on Idaho mining operations. Sixty-six percent of the collections accrue to the General Fund and the remainder (34%) goes to the Abandoned Mine Reclamation Account. This tax has been levied since 1935. It was initially set at 3%, then was lowered to 2% in 1972 where it has remained since. The sharp General Fund increase in FY 1999, and the sharp refund increase in FY 2000 are due to a large payment (\$1.25 million) that was made under protest in FY 1999, then refunded when a legal decision was made in favor of the taxpayer in FY 2000.

### Basis of Projection:

The projections of General Fund revenue from this source for FY 2000 and FY 2001 are based on a subjective assessment of recent collections history, the current and future levels of employment in mining, and relative mineral prices.

### Historical Data:

#### MINE LICENSE TAX (\$ THOUSANDS)

		Gross Collections	Distributions			% Share of Total Gen. Fund
			Refunds	Abandoned Mine Reclamation Account	Gen. Fund	
Year						
FY70	Actual	\$264.1			\$264.1	0.3%
FY71	Actual	268.2			268.2	0.3%
FY72	Actual	152.9			152.9	0.1%
FY73	Actual	73.9			73.9	0.1%
FY74	Actual	192.8			192.8	0.1%
FY75	Actual	482.0			482.0	0.2%
FY76	Actual	413.6	\$8.1		405.5	0.2%
FY77	Actual	203.2	0.4		202.8	0.1%
FY78	Actual	273.5	4.3		269.2	0.1%
FY79	Actual	552.3	1.4		551.0	0.2%
FY80	Actual	1,905.9	0.4		1,905.5	0.5%
FY81	Actual	2,145.2	27.6		2,117.6	0.5%
FY82	Actual	2,449.4	4.7		2,444.7	0.6%
FY83	Actual	687.6	14.3		673.3	0.2%
FY84	Actual	1,106.2	0.9		1,105.3	0.2%
FY85	Actual	676.1	90.9		585.2	0.1%
FY86	Actual	380.6	12.0		368.7	0.1%
FY87	Actual	283.5	0.3		283.2	0.0%
FY88	Actual	570.8	0.0		570.8	0.1%
FY89	Actual	215.8	2.6		213.2	0.0%
FY90	Actual	278.0	25.0		253.0	0.0%
FY91	Actual	471.8	1.0		470.9	0.1%
FY92	Actual	588.7	3.1		585.7	0.1%
FY93	Actual	441.7	331.8		109.9	0.0%
FY94	Actual	487.6	14.4		473.2	0.0%
FY95	Actual	291.0	1.2		289.9	0.0%
FY96	Actual	800.8	0.0		800.8	0.1%
FY97	Actual	764.7	101.4		663.4	0.0%
FY98	Actual	1,101.3	140.8		960.5	0.1%
FY99	Actual	2,241.0	258.1		1,982.9	0.1%
FY00	Projection	697.0	1,257.0	234.6	-794.6	0.0%
FY01	Projection	610.0	7.0	205.0	398.0	0.0%

## STATE TREASURER

**Description:** (Title 67, Chapter 12, *Idaho Code*)

State Treasurer's income is derived from interest on investments of idle state funds. Investments are made in time certificates of deposit, U.S. Treasury bills, and repurchase agreements. The yield from these investments is related to short-term interest rates, coupled with the amount of fund balances available for the Treasurer to invest. All net interest earnings, except those derived from the trust and agency funds, accrue to the General Fund. Beginning in fiscal year 2000, all interest earned on the Permanent Building Fund balance will be retained by that fund instead of being paid to the General Fund. In addition, beginning in FY 2000, the Treasurer will be allowed to invest in certain corporate financial instruments and United States Small Business Administration Loans.

For historical data see the "Miscellaneous Revenues" table on page 45.

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2000 and FY 2001 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2000 projection includes \$6.5 million of net interest earnings by the Treasurer from the issuance of tax anticipation notes. The FY 2001 projection does not include tax anticipation note interest earnings.

## JUDICIAL BRANCH

**Description:** (Sections 1-402 and 19-4705, *Idaho Code*)

Revenues are derived from court fees and from 10% of all fines and forfeitures collected pursuant to the judgment of any court of the state, with the exception of Fish and Game law violations, of which 2.5% goes to the General Fund. Certain court fees were raised in FY 1997.

For historical data see the "Miscellaneous Revenues" table on page 45.

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2000 and FY 2001 are based on an assessment of recent collection history, fee changes, and Idaho population growth.

## DEPARTMENT OF INSURANCE

**Description:** (Title 41, Chapters 4, 34, and 39, *Idaho Code*)

Idaho's insurance premium tax is applied at a rate of 2.75% of net direct insurance premiums written in the state, except for title insurance, which is taxed at the rate of 1.5%. Property and casualty insurers with 25% or more of their total assets and life insurers with 25% or more of their total life reserves invested in qualifying Idaho investments may qualify for a reduced tax rate of 1.4%.

Effective July 1, 1997, as a result of legislation changing Chapter 39, all health maintenance organizations became managed care organizations and under Idaho law beginning January 1, 1998, will pay the 2.75% premium tax rate rather than the \$.04 per subscriber head tax.

Premium taxes are collected on a quarterly prepayment basis based upon a percentage of the previous year's taxes as reported on the company's filed premium tax return. Prepayment percentages are 60% in June, 20% in September, and 15% in December, with the balance due with the filing in March. The fire insurance premium tax collections are dedicated to the Firemen's Retirement Fund.

The Department of Insurance collects a variety of filing and license fees. These revenues are dedicated to the Insurance Administration Fund to fund operations of the Department of Insurance. At the beginning of each succeeding fiscal year, any balance in the Insurance Administration Fund exceeding the current year appropriation by 25% is transferred to the General Fund.

For historical data see the "Miscellaneous Revenues" table on page 45.

### **Basis of Projection:**

The projections of General Fund revenue from this source for FY 2000 and FY 2001 are based on forecasts of insurance premium growth, trends in insurance rates and coverage, agency records of insurers qualifying for the lower rate, and company insolvencies that result in credits taken for guaranty association assessments. These variables and parameters are then run through a simulation model of the cash-flow process to capture the effects on prepayment, filing reconciliation collections, and refunds. FY 1998 collections reflect the revenue impact of managed care organizations changing from payment of the \$.04 head tax to tax payment based on the premium tax rate.

## DEPARTMENT OF LAW ENFORCEMENT (LIQUOR LAW ENFORCEMENT)

**Description:** (Title 23, Chapters 9, 10, and 13, *Idaho Code*)

Revenue is derived from the sale of alcoholic beverage licenses to retailers, wholesalers, and manufacturers at a standard fee.

For historical data see the "Miscellaneous Revenues" table on page 45.

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2000 and FY 2001 are based on a subjective assessment of recent collection history and Idaho population growth.

## UNCLAIMED PROPERTY

**Description:** (Title 14, Chapter 5, *Idaho Code*)

Unclaimed property from bank accounts, safe deposit boxes, travelers' checks, life insurance policies, utility deposits, and the like accrue to the state after certain holding periods. Beginning in FY 1983, amounts in the Unclaimed Property Fund exceeding \$100,000 were transferred to the General Fund. Prior to that time, the excess was transferred to the Permanent Building Fund. Beginning in FY 1995, the Tax Commission transferred amounts in the Unclaimed Property Fund exceeding \$250,000 to the General Fund.

For historical data see the "Miscellaneous Revenues" table on page 45.

**Basis of Projection:**

Projections of unclaimed property are based on a subjective assessment of recent collection history.



## OTHER DEPARTMENTS AND TRANSFERS

The primary revenue sources for this miscellaneous category are receipts from the Department of Finance, Department of Lands, Department of Administration, Secretary of State, and Department of Agriculture. Other agencies provide lesser amounts on a sporadic basis. Environmental violation penalties assessed by the Division of Environmental Quality are an irregular income source. The annual transfers to the General Fund from the Public Utilities Commission and from the Federal Power Act (through the State Treasurer) are also included. However, the unpredictable nature of other items included in this source is evidenced by the collection history.

For historical data see the "Miscellaneous Revenues" table on page 45.

### **Basis of Projection:**

The projections of miscellaneous General Fund revenues for FY 2000 and FY 2001 are based on a subjective assessment of recent collection history and expected transfers.

Continued on next page.

## MISCELLANEOUS REVENUES

(\$THOUSANDS)

		Distributions to General Fund											
		State Treasurer	% of Gen. Fund	Judicial Branch	% of Gen. Fund	Dept. of Insurance	% of Gen. Fund	Dept. of Law Enforcement (Liq. Law)	% of Gen. Fund	Un- Claimed Property	% of Gen. Fund	Other Depts. and Transfers	% of Gen. Fund
FY70	Actual	\$3,216.1	3.3%	\$1.8	0.0%	\$4,831.5	4.9%	\$444.2	0.5%	\$0.0	0.0%	\$2,347.0	2.4%
FY71	Actual	3,151.1	3.0%	310.5	0.3%	5,345.7	5.0%	477.3	0.5%	0.0	0.0%	1,369.6	1.3%
FY72	Actual	2,172.5	1.8%	868.1	0.7%	6,024.1	4.9%	526.0	0.4%	0.0	0.0%	2,624.6	2.1%
FY73	Actual	3,055.8	2.1%	1,056.4	0.7%	6,664.1	4.6%	530.6	0.4%	0.0	0.0%	3,215.6	2.2%
FY74	Actual	5,895.8	3.4%	1,188.1	0.7%	7,471.6	4.2%	555.0	0.3%	0.0	0.0%	1,857.6	1.1%
FY75	Actual	7,790.3	3.8%	1,141.5	0.6%	7,945.6	3.9%	573.4	0.3%	0.0	0.0%	1,762.7	0.9%
FY76	Actual	7,013.4	3.1%	1,242.0	0.5%	8,915.8	3.9%	593.0	0.3%	0.0	0.0%	2,654.3	1.2%
FY77	Actual	5,529.3	2.2%	1,268.1	0.5%	10,693.5	4.2%	624.7	0.2%	0.0	0.0%	1,612.5	0.6%
FY78	Actual	5,465.2	1.9%	1,446.6	0.5%	12,175.2	4.1%	654.4	0.2%	0.0	0.0%	2,184.2	0.7%
FY79	Actual	7,382.4	2.2%	1,618.6	0.5%	13,555.0	4.1%	670.4	0.2%	0.0	0.0%	2,027.4	0.6%
FY80	Actual	12,946.3	3.6%	1,894.8	0.5%	14,894.7	4.2%	719.6	0.2%	0.0	0.0%	2,232.4	0.6%
FY81	Actual	10,257.4	2.6%	1,850.8	0.5%	14,845.9	3.8%	918.9	0.2%	0.0	0.0%	2,412.5	0.6%
FY82	Actual	12,282.6	3.0%	2,036.1	0.5%	15,442.0	3.8%	911.5	0.2%	0.0	0.0%	2,620.1	0.6%
FY83	Actual	8,663.9	2.1%	2,109.6	0.5%	22,345.0	5.4%	939.6	0.2%	175.3	0.0%	7,534.9	1.8%
FY84	Actual	12,227.9	2.5%	2,154.9	0.4%	16,730.0	3.4%	932.2	0.2%	597.0	0.1%	2,037.9	0.4%
FY85	Actual	10,931.1	2.0%	2,355.3	0.4%	18,329.8	3.3%	1,033.8	0.2%	1,304.9	0.2%	6,244.1	1.1%
FY86	Actual	9,549.6	1.7%	2,544.1	0.4%	20,867.5	3.7%	1,052.5	0.2%	906.7	0.2%	7,381.5	1.3%
FY87	Actual	7,615.7	1.2%	2,800.7	0.4%	21,257.1	3.4%	1,059.9	0.2%	866.3	0.1%	11,446.6 <sup>1</sup>	1.8%
FY88	Actual	10,010.0	1.5%	2,860.1	0.4%	31,182.3	4.6%	1,035.8	0.2%	997.7	0.1%	3,191.0 <sup>2</sup>	0.5%
FY89	Actual	16,178.4	2.1%	3,135.9	0.4%	26,217.5	3.4%	1,033.9	0.1%	744.9	0.1%	4,555.1 <sup>3</sup>	0.6%
FY90	Actual	17,552.6	2.0%	3,426.1	0.4%	25,209.2	2.9%	1,081.5	0.1%	1,155.7	0.1%	3,503.0 <sup>4</sup>	0.4%
FY91	Actual	19,387.7	2.2%	3,331.7	0.4%	28,643.7	3.2%	994.5	0.1%	1,145.4	0.1%	3,605.7 <sup>5</sup>	0.4%
FY92	Actual	11,810.0	1.2%	3,390.7	0.4%	31,944.9	3.4%	1,010.2	0.1%	1,353.3	0.1%	3,976.7 <sup>6</sup>	0.4%
FY93	Actual	10,540.0	1.0%	3,210.0	0.3%	28,810.0	2.8%	960.0	0.1%	1,335.5	0.1%	1,820.0	0.2%
FY94	Actual	10,611.2	0.9%	3,721.9	0.3%	33,193.5	2.8%	1,039.0	0.1%	1,707.9	0.1%	5,688.4 <sup>7</sup>	0.5%
FY95	Actual	15,000.0	1.2%	3,894.0	0.3%	34,934.6	2.7%	1,072.3	0.1%	2,089.2	0.2%	4,489.7 <sup>8</sup>	0.3%
FY96	Actual	18,541.4	1.4%	4,244.8	0.3%	36,126.4	2.7%	1,047.9	0.1%	1,387.1	0.1%	4,507.3 <sup>9</sup>	0.3%
FY97	Actual	18,243.0	1.3%	4,707.9	0.3%	40,262.5	2.9%	1,140.9	0.1%	829.4	0.1%	3,407.7 <sup>10</sup>	0.2%

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## MISCELLANEOUS REVENUES

(\$THOUSANDS)

		Distributions to General Fund											
		State Treasurer	% of Gen. Fund	Judicial Branch	% of Gen. Fund	Dept. of Insurance	% of Gen. Fund	Dept. of Law Enforcement (Liq. Law)	% of Gen. Fund	Un- Claimed Property	% of Gen. Fund	Other Depts. and Transfers	% of Gen. Fund
FY98	Actual	17,930.0	1.2%	5,016.3	0.3%	42,846.5	2.9%	1,151.6	0.1%	1,168.0	0.1%	3,701.7 <sup>11</sup>	0.2%
FY99	Actual	18,686.7	1.2%	5,131.7	0.3%	45,465.2	2.8%	1,158.1	0.1%	1,588.9	0.1%	5,671.3 <sup>12</sup>	0.3%
FY00	Projected	17,700.0	1.0%	5,300.0	0.3%	45,280.0	2.7%	1,200.0	0.1%	900.0	0.1%	11,050.0 <sup>13</sup>	0.6%
FY01	Projected	12,100.0	0.7%	5,400.0	0.3%	46,320.0	2.6%	1,220.0	0.1%	900.0	0.1%	8,700.0 <sup>14</sup>	0.5%

1. Includes a one-time transfer totaling \$9,337,000 from the Water Pollution Control Fund.
2. Includes a one-time reversion of \$204,400 from the University of Idaho.
3. Includes offsetting transfers of \$2.0 million from and to the Water Pollution Control Fund; and \$300,000 borrowed and repaid by the Lottery Commission.
4. Includes off-setting transfer of \$1,000,000 borrowed and repaid by the Lottery Commission.
5. Includes on-time transfer of \$125,000 from the Department of Insurance and \$200,000 from the Parks Land Trust.
6. Includes \$513,894 in one-time transfer from State Treasurer's interagency billing and receipts fund in FY 1992.
7. Transfers of: \$3,000,000 from Budget Reserve Fund; \$420,000 from Liquor Fund; and approximately \$350,000 from Department of Finance.
8. Includes a \$1,858,000 transfer from the Department of Finance.
9. Includes a \$1,517,000 transfer from the Department of Finance and a \$145,000 transfer from the Secretary of State.
10. Includes a \$1,117,000 transfer from the Department of Finance.
11. Includes a \$1,567,000 transfer from the Department of Finance.
12. Includes a \$1,245,700 transfer from the Department of Finance, a \$428,000 transfer from the Secretary of State, a \$1,092,300 recovery of cost allocation expenses.
13. Includes a \$1,694,300 transfer from the Department of Finance, a \$574,800 transfer from the Secretary of State, a \$1,284,500 recovery of cost allocation expenses, and \$5,997,900 in other miscellaneous revenues.
14. Includes a \$1,284,500 recovery of cost allocation expenses and \$5,690,000 in other miscellaneous revenues.

# *Idaho's Tax Structure*

Exemptions, Credits, Exclusions and Deductions

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# INTRODUCTION

This report is a comprehensive guide to the structure of Idaho's primary General Fund revenue sources. It provides a detailed examination of the various departures from the broadly defined *base* of the income and sales taxes. These two taxes supply well over 90% of the revenue that goes to the General Fund.

The everyday vernacular refers to these departures from the tax base as *tax breaks*. An analogous term used by fiscal analysts is *tax expenditures*. The most common forms they take in the codification of taxes are exemptions, credits, exclusions, and deductions. The end result is always the same: a tax that is defined on the basis of a broad economic concept (income, consumption, wealth, etc.) is not applied uniformly against the broad base of the tax.

The following pages provide both an inventory and an explanation of Idaho's sales and income tax expenditures. The goal is to facilitate greater understanding of these important elements of Idaho's overall fiscal structure. It is not an attempt to judge the merits of any particular tax expenditure.

The definition of a tax expenditure (for the purpose of this report) is *any provision of Idaho law that excludes some portion of the tax base on a selective basis*. Two illustrative examples are the sales tax exemption for prescription drugs and the income tax exclusion for interest earned on certain government-issued securities. In the first case a specific type of consumption (prescription drugs) is excused from the sales and use tax. In the second case a specific source of income (interest from government-issued securities) is excused from the income tax.

Limiting the definition of tax expenditures to Idaho tax provisions is arbitrary and is primarily done to limit the scope of this publication. Indeed, many federal income tax provisions have the effect of granting large tax expenditures within Idaho. The mortgage interest deduction is a good example. Although nothing technically prevents Idaho from treating mortgage interest different than the federal tax law, the practical ramifications prevent Idaho from making large deviations from federal tax law. Consequently, this report ignores tax expenditures that originate in federal tax law. It does, however, look at Idaho departures from the federal tax structure and treats them as Idaho-specific tax expenditures.

Some apparent tax breaks are not really tax expenditures, because their impacts lie outside of the basic definition of the tax base. The sales tax "exemption" for goods purchased for resale is one such case. This is because the sales tax is intended to apply to retail sales, and the "exemption" for goods purchased for resale is the statutory mechanism used to differentiate between retail and wholesale trade. The income tax rate brackets are another example of a tax policy that impacts the amount of revenue produced from the fundamental tax base, but are not considered a selective "exemption" for purposes of this report. That's because all income that falls into a particular bracket is taxed at that bracket's rate, regardless of the overall income (or any other characteristic) of the taxpayer.

This report includes estimates of the cost of each tax expenditure. This is an estimate of how much tax payment is being avoided by the beneficiaries of the tax expenditure. It is not an estimate of the revenue that would be raised by eliminating the tax expenditure. Several additional factors need to be considered when producing a revenue estimate associated with any particular tax law change.

In many cases, especially those involving substantial structural changes, tax law changes could reasonably be expected to change the economic behavior of taxpayers. The fiscal estimates included in this report are based on current economic behavior, meaning they reflect an environment that includes the

effect of the tax expenditure. It should be noted that in many cases even the fiscal estimates based on the actual tax structure are difficult to produce. Attempting to factor in behavioral adjustments can add a substantial amount of complexity to the fiscal analysis.

Another factor that is not reflected in these fiscal estimates is the amount of tax gap. The tax gap is the difference between the theoretical amount of revenue associated with eliminating a particular tax expenditure and the actual revenue that would be realized. The probable size of the “tax gap” is impacted by a number of variables, including the manner in which a tax exemption is removed and the amount of resources that are allocated to compliance and collection efforts. Clearly these are variables that are “unknowable” prior to any specific proposal for law changes.

Tax expenditures are placed in the law for a variety of reasons. The primary reasons are to encourage a particular behavior on the part of taxpayers, to provide fiscal relief to particular taxpayers, or to simplify the administration of the tax laws.

In many cases, tax expenditures have an alternative, appropriation-based method for accomplishing the policy objective behind the tax expenditure. Often, the appropriation-based alternative will have significant differences (relative to the tax expenditure) in terms of overhead cost and public policy ramifications.

Overhead cost comparisons associated with tax expenditures vs. appropriations depend on the specific circumstances of the particular tax expenditure/appropriation alternative being considered, and the “value” of both is difficult to examine.

This is particularly the case with sales and income tax expenditures that are made in the context of confidential tax returns. This means that the beneficiaries are only known to the tax authorities. The secrecy of sales and income tax information is protected under felony penalty provisions. The confidentiality associated with tax expenditures seriously inhibits close scrutiny, and makes it difficult or impossible to establish the “value” (as opposed to the cost) of the tax expenditure.

Tax expenditures “cost” the public in the form of lost revenue that could otherwise be used to fund appropriations or reduce tax rates. However, the estimates of the amount of lost revenue contained in this report do not take into consideration the overhead that would be needed to collect the lost revenue. That overhead can vary from very large, as in the case of tax expenditures that are for the purpose of simplifying tax administration, to negative, as in the case of a tax expenditure that in itself increases the administrative costs associated with the particular tax.

# INDIVIDUAL AND CORPORATE INCOME TAX

The Idaho income tax is a tax levied on individuals and corporations based on their income during a 12-month tax period. In the case of businesses (proprietorships, partnerships, and corporations) the concept of income is not gross receipts, but rather is most closely associated with the economic concept of profit.

The rate of Idaho's income tax is a flat 8% on corporate income and a maximum of 8.2% on individual income. The individual income tax rate is graduated on taxable income below \$40,000 for married taxpayers and below \$20,000 for single taxpayers. Rates on individuals vary from a low of 2% (on incomes below \$2,000 and \$1,000 for married and single taxpayers, respectively) to the top rate of 8.2%.

The tax expenditures granted under the income tax can be classified into two principle categories: exemptions based on the source of income (exclusions); and exemptions based on the use of income (deductions and credits). Source exemptions include interest from government securities, capital gains, and social security payments. Use exemptions include donations to educational institutions and purchases of equipment used in business enterprises. Notable features of the income tax structure that are within Idaho's policy discretion but are not considered tax expenditures include: the rate brackets, personal exemptions, and standard deductions. These features of the tax structure have the effect of reducing revenues, but they are not selective with regard to whom they apply.

A special note concerning tax expenditure definitions is relevant in the case of the income tax. Since the foundation of the Idaho income tax is federal adjusted gross income, there are a number of federal tax expenditures that are adopted in Idaho by default. These federal tax expenditures could technically be considered Idaho tax expenditures, since Idaho adopts them by law. However, this report takes the approach that federal tax expenditures related to the definition of taxable income are **not** Idaho tax expenditures. Thus, the federal tax expenditure associated with the mortgage interest deduction is not considered an Idaho tax expenditure. Similarly, Idaho's exclusion of social security income from the income tax base is treated as an Idaho tax expenditure only to the extent that it exceeds the partial federal exclusion for social security income.

## **The principal Idaho income tax expenditures relating to uses of income are:**

- Investment Tax Credit
- Other States Tax Credit
- Elderly Dependent Credit
- Youth and Rehabilitation Credit
- Schools, Libraries, and Museums Credit
- Grocery Credit
- Technological Equipment Deduction
- Alcohol/Gasohol Production Deduction
- Alternative Energy Device Deduction
- Insulation Deduction
- Workers' Compensation Premium Deduction
- Child Care Deduction
- Personal Care Services Deduction - *Repealed*
- Medical Assistance Account Deduction - *Repealed*



Elderly and Development Disability Deduction  
Adoption Expense Deduction  
Medical Savings Account Deduction  
Conservation and Weatherization Deduction - *Repealed*  
Riparian Land Improvements

**The principal Idaho income tax expenditures relating to sources of income are:**

Capital Gains Exclusion  
Government Interest Exclusion  
Social Security Exclusion  
Railroad Retirement Exclusion  
Retirement Benefit Exclusion  
Idaho Lottery Winnings Exclusion  
Indian Earnings on Reservation Exclusion  
World War II Reparations Exclusion  
Marriage Penalty Deduction

## SALES AND USE TAX

The Idaho sales tax is a transaction tax levied on the purchase or use of goods and services by consumers, where consumers may be either individuals or businesses. Transactions involving purchases by businesses are included in the sales tax base if the goods or services are consumed by the purchasing business. Transactions involving purchases of goods or services for resale (including components or parts used in manufactured goods) are not considered a part of the sales tax base. The legal incidence of the Idaho sales tax is on the purchaser. Sales taxes are distant relatives of value-added taxes.

The rate of Idaho's sales tax is a flat 5%. No partial exemptions exist (that is, nothing is taxed at a rate below 5% but above 0%).

Consumption, as an economic concept, can be divided into consumption of goods and consumption of services. The purchase of a hotel room is classified as a service, since it is only the right to use the hotel room for a limited time that it is being purchased. Purchase of a tent is classified as a good since the buyer becomes the owner of a tangible item. An interesting characteristic of Idaho's sales tax is that unless specifically exempted, purchase of a tangible good is a taxable event. On the other hand, the purchase of a service is generally not taxable unless the service is specifically included in the list of taxable transactions. Three major service categories that are completely taxable (and therefore are excluded from this compilation of tax expenditures) are "Hotels and Other Lodging Places" (SIC Major Group 70), "Amusement and Recreation Services" (SIC Major Group 79), and "Motion Pictures" (SIC Major Group 78).

The tax expenditures granted under the sales tax can be classified in three principal categories: exemptions based on the *use* of the good or service, exemptions based on the *specific good or service* being purchased, and exemptions based on the *individual or entity* making the purchase or sale.

### **Principal Idaho sales tax expenditures relating to specific uses are:**

- Production Exemption - Equipment
- Production Exemption - Supplies
- Irrigation Equipment and Supplies
- Pollution Control Equipment
- Broadcast Equipment and Supplies
- Publishing Equipment and Supplies
- Commercial Aircraft
- Railroad Rolling Stock and Remanufacturing
- Interstate Trucks
- Out-of-State Contracts
- Trade-in Value
- Sales of Businesses or Business Assets
- Food Stamps/WIC
- Motor Vehicles Used Outside of Idaho
- Common Carrier Purchases and Out-of-State Sales
- Donations of Real Property to Idaho Government
- Incidental Sales of Tangible Personal Property

Lodging, Eating, and Drinking Places  
School Lunches and Senior Citizen Meals  
Drivers Education Automobiles  
Ski Lifts and Snowgrooming Equipment  
Clean Rooms

**Principal Idaho sales tax expenditures relating to specific goods and services are:**

**Goods Not Taxed**

Motor Fuels  
Heating Materials  
Utility Sales  
Used Mobile Homes  
Vending Machines and Amusement Devices  
Prescriptions and Durable Medical Equipment  
Funeral Caskets  
Containers  
Nonprofit Literature  
Official Documents  
Precious Metal Bullion  
New Manufactured Homes or Modular Buildings  
Telecommunications Equipment

**Services Not Taxed**

Construction  
Agricultural and Industrial Services  
Transportation Services  
Communications  
Repairs  
Professional Services  
Business Services  
Personal Services  
Health and Medical Services  
Social Services  
Educational Services  
Lottery Tickets and Pari-Mutuel Betting  
Media Measurement Services  
Miscellaneous Services

**Principal Idaho sales tax expenditures relating to specific entities are:**

Educational Institution Purchases  
Hospital Purchases  
Health Entity Purchases  
Canal Company Purchases  
Forest Protective Association Purchases  
Food Bank Purchases

Nonsale Clothier Purchases  
Centers for Independent Living  
State of Idaho and Local Government Purchases  
Ronald McDonald House Rooms  
INEEL R&D Purchases  
Motor Vehicle Purchases by Family Members  
Sales by 4-H and FFA Clubs at Fairs  
Sales by Non-Retailers (Yard and Occasional Sales)  
Sales by Indian Tribes on Reservations  
Sales of Meals by Churches to Members  
Sales by Outfitters and Guides  
Sales Through Vending Machines  
Auto Manufacturer Rebates  
Incidental Sales of Churches  
Federal Excise Tax Imposed at Retail Level  
Federal Constitutional Prohibitions  
Federal and State Statutory Prohibitions

# Idaho's Tax Structure

## Fiscal Summary

\$ Thousands

<b><u>1.00 Income Tax Expenditure</u></b>		<b><u>CY 1996</u></b>	<b><u>CY 1997</u></b>	<b><u>CY 1998</u></b>	<b><u>CY 1999</u></b>	<b><u>CY 2000</u></b>	<b><u>CY 2001</u></b>
<b>Uses of Income Not Taxed</b>							
1.01	Investment Tax Credit	\$42,951	\$33,422	\$37,367	\$41,151	\$44,107	\$46,743
1.02	Other States Tax Credit	\$23,132	\$24,890	\$26,178	\$27,818	\$29,366	\$30,942
1.03	Elderly Dependent Credit	\$267	\$287	\$291	\$295	\$300	\$304
1.04	Youth & Rehabilitation Credit	\$3,228	\$3,768	\$3,889	\$4,033	\$4,388	\$4,548
1.05	Schools, Libraries, and Museums Credit	\$2,095	\$2,186	\$2,297	\$2,441	\$2,587	\$2,725
1.06	Grocery Credit	\$17,137	\$17,466	\$17,755	\$18,054	\$18,344	\$18,607
1.07	Recycling Equipment Credit	\$14	\$18	\$38	\$38	\$38	\$38
1.08	Technological Equipment Deduction	\$44	\$47	\$49	\$51	\$54	\$56
1.09	Alcohol/Gasohol Production Deduction	\$3	\$3	\$3	\$3	\$3	\$3
1.10	Alternative Energy Devices Deduction	\$288	\$283	\$297	\$316	\$334	\$352
1.11	Insulation Deduction	\$446	\$489	\$513	\$545	\$576	\$607
1.12	Workers' Comp. Premium Deduction	\$400	\$400	\$400	\$400	\$400	\$400
1.13	Child Care Deduction	\$3,000	\$2,888	\$2,920	\$2,953	\$2,987	\$3,011
1.14	Personal Care Services Deduction	\$1	\$1	<i>Repealed</i>	<i>Repealed</i>	<i>Repealed</i>	<i>Repealed</i>
1.15	Medical Assistance Account Deduction	\$1	\$1	<i>Repealed</i>	<i>Repealed</i>	<i>Repealed</i>	<i>Repealed</i>
1.16	Elderly & Developmentally Dis. Deduction	\$9	\$9	\$9	\$9	\$9	\$9
1.17	Adoption Expense Deduction	\$39	\$51	\$37	\$37	\$37	\$37
1.18	Medical Savings Account Deduction	\$610	\$866	\$910	\$967	\$1,021	\$1,076
1.19	Conservation and Weatherization Deduction	\$0	\$0	<i>Repealed</i>	<i>Repealed</i>	<i>Repealed</i>	<i>Repealed</i>
1.20	Riparian Land Improvements	\$0	\$0	\$0	\$250	\$250	\$250
<b>Sources of Incomes Not Taxed</b>							
1.21	Capital Gains Exclusion	\$8,812	\$9,808	\$11,245	\$11,938	\$12,596	\$13,273
1.22	Government Interest Exclusion	\$6,844	\$6,310	\$6,506	\$6,746	\$7,131	\$7,392
1.23	Social Security Exclusion	\$13,714	\$16,049	\$16,706	\$17,312	\$18,090	\$18,950
1.24	Railroad Retirement Exclusion						
1.25	Retirement Benefit Exclusion	\$3,090	\$3,481	\$3,623	\$3,754	\$3,923	\$4,110
1.26	Idaho Lottery Winnings Exclusion	\$3,978	\$4,180	\$3,902	\$4,090	\$4,289	\$4,394
1.27	Indian Earnings on Reservation Exclusion	\$281	\$295	\$310	\$330	\$348	\$367
1.28	World War II Reparations Exclusion	\$0	\$0	\$0	\$0	\$0	\$0
1.29	Marriage Penalty Deduction	\$0	\$0	\$0	\$0	\$1,268	\$1,291
<b><u>2.00 Sales Tax Expenditures</u></b>		<b><u>FY 1997</u></b>	<b><u>FY 1998</u></b>	<b><u>FY 1999</u></b>	<b><u>FY 2000</u></b>	<b><u>FY 2001</u></b>	<b><u>FY 2002</u></b>
<b>Specific Uses Not Taxed</b>							
2.01	Production Exemption - Equipment	\$64,724	\$71,708	\$78,457	\$86,750	\$91,488	\$96,913
2.02	Production Exemption - Supplies	\$48,996	\$54,283	\$59,392	\$65,670	\$69,257	\$73,363
2.03	Irrigation Equipment & Supplies	\$2,256	\$2,312	\$2,370	\$2,429	\$2,490	\$2,552
2.04	Pollution Control Equipment	\$2,682	\$2,990	\$3,194	\$3,428	\$3,623	\$3,847
2.05	Broadcast Equipment & Supplies	\$1,483	\$1,643	\$1,797	\$1,987	\$2,096	\$2,220
2.06	Publishing Equipment & Supplies	\$95	\$105	\$115	\$127	\$134	\$142
2.07	Commercial Aircraft	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
2.08	Railroad Rolling Stock & Remanufacturing	\$2,125	\$2,125	\$2,125	\$2,125	\$2,125	\$2,125
2.09	Interstate Trucks	\$2,374	\$2,569	\$2,764	\$2,863	\$2,866	\$2,816
2.10	Out-of-State Contracts	\$2,471	\$2,738	\$2,995	\$3,312	\$3,493	\$3,700
2.11	Trade-in Value	\$13,040	\$14,039	\$15,401	\$16,242	\$16,606	\$16,738

<b><u>2.00 Sales Tax Expenditures</u></b>		<b><u>FY 1997</u></b>	<b><u>FY 1998</u></b>	<b><u>FY 1999</u></b>	<b><u>FY 2000</u></b>	<b><u>FY 2001</u></b>	<b><u>FY 2002</u></b>
2.12	Sale or Lease of Businesses or Business Assets	\$1,173	\$1,299	\$1,421	\$1,572	\$1,658	\$1,756
2.13	Food Stamps/WIC	\$3,169	\$3,280	\$3,465	\$3,623	\$3,758	\$3,911
2.14	Motor Vehicles Used Outside of Idaho	\$7,284	\$7,842	\$8,602	\$9,072	\$9,276	\$9,349
2.15	Common Carrier Purch. & Out-of-State Sales	NA	NA	NA	NA	NA	NA
2.16	Donations of Real Property to Idaho Gov't	\$3	\$3	\$3	\$3	\$3	\$3
2.17	Incidental Sales of Tangible Personal Property	\$10	\$10	\$10	\$10	\$10	\$10
2.18	Lodging, Eating, & Drinking Places	\$36	\$37	\$39	\$42	\$44	\$46
2.19	School Lunches & Senior Citizen Meals	\$1,735	\$1,801	\$1,868	\$1,942	\$2,016	\$2,093
2.20	Drivers Education Automobiles	\$31	\$31	\$31	\$31	\$31	\$31
2.21	Ski Lifts and Snowgrooming Equipment	\$500	\$500	\$500	\$500	\$500	\$500
2.21a	Clean Rooms	\$0	\$0	\$0	\$200	\$400	\$400
<b>Goods Not Taxed</b>							
2.22	Motor Fuels	\$36,356	\$34,657	\$32,211	\$39,127	\$39,137	\$39,549
2.23	Heating Materials	\$2,698	\$2,486	\$2,364	\$2,628	\$2,588	\$2,631
2.24	Utility Sales	\$43,946	\$44,749	\$45,469	\$46,247	\$46,935	\$47,597
2.25	Used Mobile Homes	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300
2.26	Vending Machines & Amusement Devices	\$0	\$0	\$0	\$0	\$0	\$0
2.27	Prescriptions & Durable Medical Equipment	\$9,583	\$10,022	\$11,140	\$11,749	\$12,416	\$13,177
2.28	Funeral Caskets	\$590	\$628	\$666	\$708	\$751	\$793
2.29	Containers	\$16	\$17	\$18	\$19	\$20	\$21
2.30	Nonprofit Literature	\$75	\$76	\$78	\$89	\$90	\$92
2.31	Official Documents	\$42	\$43	\$43	\$44	\$45	\$45
2.32	Precious Metal Bullion	\$465	\$465	\$465	\$465	\$465	\$465
2.33	New Manufactured Homes or Modular Buildings	\$1,181	\$1,226	\$1,277	\$1,333	\$1,391	\$1,448
2.34	Telecommunication Equipment	\$340	\$374	\$411	\$453	\$498	\$548
<b>Services Not Taxed</b>							
2.35	Construction	\$63,308	\$67,250	\$69,982	\$71,051	\$73,482	\$76,985
2.36	Agricultural & Industrial Services	\$4,075	\$3,958	\$4,120	\$4,291	\$4,471	\$4,662
2.37	Transportation Services	\$10,499	\$11,241	\$11,647	\$12,281	\$13,268	\$14,076
2.38	Communications	\$22,770	\$23,658	\$24,138	\$24,660	\$25,140	\$25,608
2.39	Repairs	\$20,343	\$21,662	\$22,970	\$24,428	\$25,896	\$27,368
2.40	Professional Services	\$115,029	\$122,490	\$129,841	\$138,084	\$146,385	\$154,708
2.41	Business Services	\$23,889	\$25,439	\$26,974	\$28,686	\$30,410	\$32,139
2.42	Personal Services	\$6,746	\$7,184	\$7,617	\$8,101	\$8,588	\$9,076
2.43	Health & Medical Services	\$121,220	\$126,777	\$133,319	\$140,611	\$148,599	\$157,699
2.44	Social Services	\$35,511	\$37,814	\$40,096	\$42,641	\$45,204	\$47,773
2.45	Educational Services	\$9,493	\$10,109	\$10,719	\$11,399	\$12,084	\$12,771
2.46	Lottery Tickets & Pari-Mutuel Betting	\$6,066	\$6,012	\$6,050	\$5,989	\$6,177	\$6,373
2.47	Media Measurement Services	\$0	\$0	\$40	\$41	\$42	\$44
2.48	Miscellaneous Services	\$9,081	\$9,543	\$9,995	\$10,498	\$10,999	\$11,499
<b>Specific Entities Not Taxed</b>							
2.49	Educational Institution Purchases	\$4,441	\$4,442	\$4,442	\$4,728	\$4,725	\$4,741
2.50	Hospital Purchases	\$9,099	\$9,516	\$10,007	\$10,554	\$11,153	\$11,837
2.51	Health Entity Purchases	\$80	\$84	\$89	\$199	\$210	\$220
2.52	Canal Company Purchases	\$638	\$645	\$653	\$665	\$675	\$689
2.53	Forest Protective Association Purchases	\$28	\$28	\$29	\$29	\$30	\$30
2.54	Food Bank Purchases	\$76	\$80	\$135	\$144	\$151	\$159
2.55	Nonsale Clothier Purchases	\$1	\$1	\$1	\$1	\$1	\$1
2.56	Centers for Independent Living	\$0	\$3	\$3	\$3	\$3	\$3
2.57	State of Idaho and Local Government	\$10,428	\$11,476	\$12,412	\$13,694	\$13,703	\$14,177

<b><u>2.00 Sales Tax Expenditures</u></b>	<b><u>FY 1997</u></b>	<b><u>FY 1998</u></b>	<b><u>FY 1999</u></b>	<b><u>FY 2000</u></b>	<b><u>FY 2001</u></b>	<b><u>FY 2002</u></b>
Purchases						
2.58 Ronald McDonald House Rooms	\$1	\$1	\$1	\$1	\$1	\$1
2.59 INEEL R&D Purchases	\$2,944	\$3,256	\$3,539	\$3,844	\$4,054	\$4,311
2.60 Motor Vehicle Purchases by Family Members	\$855	\$920	\$1,009	\$1,065	\$1,088	\$1,097
2.61 Sales by 4-H & FFA Clubs at Fairs	\$23	\$23	\$23	\$23	\$23	\$23
2.62 Sales by Non-Retailers (Yard & Occas. Sales)	\$1,370	\$1,449	\$1,540	\$1,640	\$1,728	\$1,815
2.63 Sales by Indian Tribes on Reservations	\$2,284	\$2,370	\$2,507	\$2,683	\$2,802	\$2,929
2.64 Sales of Meals by Churches to Members	\$6	\$6	\$7	\$7	\$7	\$8
2.65 Sales by Outfitters & Guides	\$13	\$13	\$13	\$13	\$13	\$13
2.66 Sales Through Vending Machines	\$1,199	\$1,241	\$1,311	\$1,371	\$1,422	\$1,480
2.67 Auto Manufacturer Rebates	\$282	\$304	\$333	\$351	\$359	\$362
2.68 Incidental Sales of Churches	\$343	\$363	\$386	\$411	\$433	\$455
2.69 Federal Excise Tax Imposed at Retail Level	NA	NA	NA	NA	NA	NA
2.70 Federal Constitutional Prohibitions	NA	NA	NA	NA	NA	NA
2.71 Other Federal & State Statutory Prohibitions	NA	NA	NA	NA	NA	NA

## TAX STRUCTURE DETAIL

Specific Idaho tax expenditures are detailed in the sections below. Each section contains the expenditure's *Idaho Code* reference, a brief description of its features, and its significant legislative and judicial history.

### INDIVIDUAL AND CORPORATE INCOME TAX

Income tax expenditures fall into one of three categories: exclusions, deductions, or credits. Exclusions are sources of income that are wholly or partially exempt from taxation. Deductions are uses of income (either actual spending or proxies for actual spending) that are wholly or partially exempt from taxation. Credits are deductions from the tax itself that are expressed either as a percentage of some qualifying amount or as a lump sum. Credits may be further divided into those that are refundable, meaning that they can exceed the taxpayer's tax liability and actually lead to a refund, and those that are non-refundable, meaning that they are only usable if there is a tax liability to offset.

In general, deductions and exclusions must be used in the year they are incurred, with the exception of business net operating loss (NOL) carry forwards. Credits may be carried forward for limited time periods in certain cases where specifically authorized in the law.

One notable feature that applies to all income tax expenditures is their interaction with federal income tax. Unlike the sales tax, the Idaho income tax is deductible from federal income taxes. This applies to all corporate taxpayers and to individual taxpayers who itemize their deductions. This means that the "benefit" of an Idaho income tax expenditure is split between Idaho taxpayers and the federal treasury. The terms of the split depend on the marginal federal tax rate of the taxpayer. For a taxpayer in the 36% federal bracket, the benefit of each dollar of Idaho tax expenditure is split \$.64 to the taxpayer, \$.36 to the federal treasury. This feature of the income tax is particularly significant in assessing the cost effectiveness of an Idaho tax expenditure as an incentive for some particular behavior.

#### 1.01 Investment Tax Credit *Idaho Code 63-3029B*

Description: Idaho's investment tax credit (ITC) is provided to businesses (proprietorships, partnerships, and corporations) that purchase qualifying property for use in their business. The credit amount is 3% of the qualified investment in depreciable property and is not refundable. The credit taken in a given tax year is limited to no more than 45% of the taxpayer's tax liability as calculated before considering the credit. Credits not used may be carried forward up to seven years from the year of qualifying property purchase. The definition of qualified investment is tied to the old federal ITC (repealed in the Tax Reform Act of 1986), with the exceptions that: a) the equipment must have Idaho situs; and b) motor vehicles under 8,000 pounds do not qualify. Mobile property that is only partially used in Idaho is allowed ITC in proportion to its use in Idaho.

History: Idaho's ITC was enacted in 1982. It was amended in 1987 to prevent its automatic repeal by the federal repeal of ITC in 1986. It was amended in 1992 in response to an Idaho Supreme Court case that changed the interpretation of how the credit is applied to equipment that is used both inside and outside Idaho. It was amended in 1994 to make technical changes relating to unitary corporations. It was amended in 1995 to extend the carryover period from five to seven years, reduce the portion of tax liability



that could be offset from 50% to 45%, and eliminated a restriction on replacement property.

#### **1.02 Other States Tax Credit *Idaho Code 63-3029***

Description: The credit for taxes paid to other states is available to Idaho resident and part-year resident taxpayers who must pay income tax to another state or territory (or political subdivision thereof) on income that is also taxed by Idaho. The amount of credit is the lesser of the actual tax paid to the other state or territory, or the portion of Idaho tax attributed to the double-taxed income. The Idaho credit is not allowed if the other state or territory provides a credit for taxes paid to Idaho.

History: Initially enacted in 1939 along with the Idaho Income Tax Act. Amended in 1996 to add corporate income, franchise, or excise taxes paid by a subchapter S corporation.

#### **1.03 Elderly Dependent Credit *Idaho Code 63-3025D***

Description: This is a refundable credit provided to a resident taxpayer who maintains a household for a family member(s), where that family member is over 65 years of age or developmentally disabled and the taxpayer provides over one-half of the family member's support. The amount of credit is \$100 for each such family member, with no more than \$300 available to the taxpayer in any single year. This credit is allowed in lieu of the elderly and development disability deduction allowed under *Idaho Code*, Section 63-3022E (see item 1.16).

History: Enacted in 1981. Amended in 1994 to add developmentally disabled persons to the credit.

#### **1.04 Youth and Rehabilitation Credit *Idaho Code 63-3029C***

Description: This is a credit provided to taxpayers who make charitable contributions to the Anchor House, the North Idaho Children's Home, the Idaho Youth Ranch, the Children's Home Society of Idaho, Inc., a center for independent living located within the State of Idaho, or to a non-profit rehabilitation facility that is located in Idaho and accredited by the Commission on Accreditation of Rehabilitation Facilities or their foundations. The credit is calculated as 50% of the contribution. For individual taxpayers the credit is limited to the lesser of \$100 or 20% of the taxpayer's income tax liability. For corporations the credit is limited to the lesser of \$500 or 10% of the taxpayer's income tax liability. There is no carry over provision.

History: The credit was enacted in 1982. The Anchor House was added in 1986. The Children's Home Society and centers for independent living were added in 1998. The Hope House, Inc. was added in 1999.

#### **1.05 Schools, Libraries, and Museums Credit *Idaho Code 63-3029A***

Description: A credit is allowed for charitable contributions to Idaho public and private nonprofit schools (elementary, secondary, and higher education), their foundations, trusts, or associations; to Idaho Public Libraries and Library Districts, or their foundations; to Idaho Education Public Broadcast foundations; to the Idaho State Historical Society or its foundation; to the Idaho State Library; or to non-profit public or private museums located within Idaho. The credit is 50% of the contribution. In the case of individuals it

is limited to 20% of the taxpayer's income tax liability or \$50, whichever is less. In the case of corporations, the credit is limited to 10% of the tax liability or \$500, whichever is less.

**History:** Originally enacted in 1976, the school credit applied only to private nonprofit secondary or higher education institutions. Elementary schools were added in 1977. Public institutions of higher education were added in 1978. All public schools and public libraries were added in 1984. The Idaho Public Broadcast System was added in 1986. Foundations of the qualifying institutions were added in 1987. The Idaho Historical Society was added in 1992. Non-profit museums were added in 1994. The Idaho State Library was added in 1998. University related research parks were added in 1999.

#### **1.06 Grocery Credit *Idaho Code 63-3024A***

**Description:** This credit is available to every Idaho resident (or part-year resident) who appears as a personal exemption on an Idaho income tax return. It is not available to Idaho residents who do not have sufficient income to meet Idaho's income tax filing requirement unless they are over 62 years of age, are blind, or are a disabled American veteran. The credit amount is \$15 for individuals under 65 years of age, \$30 for individuals 65 years of age or older. Part-year residents are entitled to a proportionate credit reflecting the portion of the year they were domiciled in Idaho. There are no carry over provisions associated with the grocery credit.

**History:** The grocery credit was originally enacted in 1965. It was amended in 1972 to make the credit refundable for residents over 65 years of age. It was amended in 1975 to make it refundable for resident taxpayers of all ages who meet the filing requirements. It is not refundable to non-residents. The grocery credit was amended in 1978 to raise the credit for individuals 65 years of age and older from \$20 to \$30. It was amended in 1983 to add statute of limitation to the credit. It was amended in 1996 to restrict the credit to residents.

#### **1.07 Recycling Equipment Credit *Idaho Code 63-3029D***

**Description:** This credit is for 20% of the cost of equipment used in manufacturing products that consist of at least 90% post-consumer waste. The credit is limited to no more than \$30,000 in a single tax year, and unused portions may be carried forward up to seven years. It is non-refundable.

**History:** This credit was enacted in 1994.

#### **1.08 Technological Equipment Deduction *Idaho Code 63-3022J***

**Description:** A deduction from taxable income is allowed to individuals and corporations for the fair-market value of computers and scientific equipment (and computer software) that are donated to Idaho public schools, public libraries, or public and private colleges and universities. The equipment may not be over five years old at the time of donation, and the donee must issue a written statement accepting the donation. The deduction cannot reduce taxable income to less than zero.

**History:** This deduction was enacted for schools in 1984 as 63-3025B. Libraries were added in 1985. Colleges and universities were added in 1995. The section was moved to 63-3022J in 1995.

### **1.09 Alcohol/Gasohol Production Deduction *Idaho Code 63-3022(m)***

Description: This deduction from Idaho taxable income is for the amount of tax credit claimed for alcohol (ethanol) fuel production under the federal income tax. For federal income tax purposes, gross income includes an amount equal to the federal alcohol fuel credit.

History: Enacted in 1981.

### **1.10 Alternative Energy Devices Deduction *Idaho Code 63-3022C***

Description: The Alternative Energy Device Deduction allows a deduction for the cost of acquiring, constructing, and/or installing wood, pellet, solar, wind, geothermal energy, or natural gas/propane devices in the taxpayer's residence. The deduction is limited to 40% of the cost in the first year and 20% of the cost in the next three years. No single year's deduction may exceed \$5,000. A taxpayer who buys a residence may claim any unused deduction associated with that residence subject to the restrictions noted above.

History: Enacted in 1976. Amended in 1994 to add natural gas and propane heating units, and to require that replaced wood burning stoves be surrendered to the Idaho Division of Environmental Quality.

### **1.11 Insulation Deduction *Idaho Code 63-3022B***

Description: This deduction is for the cost of insulation installed in buildings that "existed" as of January 1, 1976 and served as a residence of the taxpayer. A building "existed" if it was already built, under construction, or subject to an outstanding building permit. The insulation cannot be replacement for existing insulation.

History: Enacted in 1976.

### **1.12 Workers' Compensation Premium Deduction *Idaho Code 63-3022(p)***

Description: This deduction is allowed to self-employed individuals for the cost of workers' compensation insurance that has not already been deducted in arriving at taxable income.

History: Enacted in 1990.

### **1.13 Child Care Deduction *Idaho Code 63-3022D***

Description: The Child Care Deduction allows individual taxpayers to deduct childcare expenses which qualify for purposes of computing the federal child care credit. The maximum deduction allowed is \$2,400 for one qualifying child and \$4,800 for two or more qualifying children.

History: This deduction was enacted in 1977 in response to the federal switch from a deduction to a credit.

### **1.14 Personal Care Services Deduction *Idaho Code 63-3022(l)***

Description: A deduction is allowed for non-reimbursed personal care services (as defined in Chapter 56, Title 39, *Idaho Code*) that are provided for or to an immediate member of the taxpayer's family. The services must be provided in either the taxpayer's home or the cared-for person's home. The deduction is limited to a maximum of \$1,000.

History: Enacted in 1981. Repealed in 1998.

**1.15 Medical Assistance Account Deduction *Idaho Code 63-3022(l)***

Description: A deduction is allowed for contributions that are made to the State of Idaho's Medical Assistance Account so long as those contributions were not previously subtracted in arriving at taxable income.

History: Enacted in 1981. Repealed in 1998.

**1.16 Elderly and Development Disability Deduction *Idaho Code 63-3022E***

Description: This is a deduction from taxable income of \$1,000 for each eligible member of a household that is maintained by the taxpayer. The eligible members must be either 65 years of age or older, or developmentally disabled. The maximum amount of the deduction that the taxpayer can claim in any one tax year is \$3,000.

History: This deduction was enacted in 1981. Amended in 1984 to add developmentally disabled persons to the qualifying dependents. Amended in 1994 to allow the deduction on the developmentally disabled person's own return.

**1.17 Adoption Expense Deduction *Idaho Code 63-3022I***

Description: This deduction is for up to \$3,000 of actual legal fees and medical costs incurred in an adoption.

History: This deduction was enacted in 1994.

**1.18 Medical Savings Account Deduction *Idaho Code 63-3022(r)-(t); 41-53xx***

Description: This is a deduction for contributions to medical savings accounts. It is limited to a maximum of \$2,000 per taxpayer (per spouse on joint returns). Other restrictions apply.

History: This deduction was originally enacted in 1994. Amended in 1995 to eliminate a restriction to high-deductible insurance policies, eliminated administrative responsibilities from the depository institution, and allowed taxpayer funded accounts to qualify.

**1.19 Conservation and Weatherization *Idaho Code 63-3022F***

Description: This exempts from income the value of benefits obtained from conservation or weatherization programs offered by public utilities.

History: Enacted in 1984. Repealed in 1998.

**1.20 Riparian Land Improvements *Idaho Code 63-3024B***

Description: This is a 50% credit for expenditures related to improving the habitat for threatened/endangered species or riparian habitat. The credit is limited to no more

than \$2,000 per person per year, and no more than \$250,000 for all such credits allowed in a single tax year.

History: Enacted in 1997, effective January 1, 1998, sunsets December 31, 2002.

#### **1.21 Capital Gains Exclusion *Idaho Code 63-3022H***

Description: This exclusion is allowed for 60% of the gain from the sale of certain property. To qualify for this exclusion the property must have had an Idaho situs at the time of sale, and is limited to real property held for at least eighteen months; tangible personal property that was used in manufacturing, mining, agriculture, wholesaling, or research and development and held for twelve months or longer; cattle or horses held for twenty-four months or longer; other breeding livestock held twelve months or longer; or timber held for over twenty-four months or longer.

History: Enacted in 1987. Amended in 1995 to add various restrictions, including a requirement that qualifying timber must be grown in Idaho, and livestock gain claimants must derive at least half of their gross income from farming or ranching operations in Idaho. Amended in 1998 to reduce the holding period for real estate from five years to eighteen months.

#### **1.22 Government Interest Exclusion *Idaho Code 63-3022(a)*;**

Description: This exclusion is for the amount of interest earned on securities issued by the State of Idaho and/or local governments, and interest earned on securities issued by the federal government. The interest exclusion must be reduced by an amount that is calculated by multiplying the taxpayer's total deductible interest expense, times the ratio of the value of assets subject to the government interest exclusion, to the value of the taxpayer's assets in total.

History: This exclusion has been in effect since enactment of the income tax.

#### **1.23 Social Security Exclusion *Idaho Code 63-3022(o)***

Description: This exclusion is for the amount of social security income that is included in arriving at federal adjusted gross income. No social security income is subject to Idaho's income tax.

History: This exclusion was enacted in 1984 in response to federal taxation of a portion of social security income.

#### **1.24 Railroad Retirement Exclusion *Idaho Code 63-3022(o)***

Description: This exclusion is for the amount of railroad retirement benefits paid by the Railroad Retirement Board that are included in federal adjusted gross income. Railroad retirement is the equivalent of social security for railroad employees.

History: Enacted in 1984.

#### **1.25 Retirement Benefit Exclusion *Idaho Code 63-3022A***

Description: This exclusion is for retirement benefits paid by any of the following: a) U.S. civil service; b) fireman's retirement fund of Idaho; c) policeman's retirement fund of a city within Idaho; and d) U.S. Military. The exclusion is available to either retirees or un-

remarried widows of retirees who are 65 years of age or older, or are disabled and 62 years of age or older. The exclusion is limited to the actual retirement payment or the maximum amount of social security benefits available, whichever is less.

History: This exclusion was enacted in 1973. It is revised annually by the Tax Commission to adjust the maximum exclusion amount.

#### **1.26 Idaho Lottery Winnings Exclusion *Idaho Code 67-7439***

Description: Excludes Idaho Lottery prizes of less than \$600 from taxable income.

History: Originally enacted in 1988 as a 100% exclusion. Amended in 1997 to limit the income exclusion to prizes of less than \$600 (effective 1/1/98). Amended in 1998 to restrict the exclusion to Idaho State Lottery winnings.

#### **1.27 Indian Earnings on Reservation Exclusion *Idaho Income Tax Regulation 30***

Description: Income earned on an Indian reservation by an Indian who lives on the reservation is not taxable by the state. To qualify for the exclusion, the Indian must be an enrolled member of a federally recognized Indian tribe.

History: This exclusion is the result of various treaties and case law.

#### **1.28 World War II Reparations Exclusion *Idaho Code 63-3022G***

Description: Amounts paid to individuals from the United States Civil Liberties Public Education fund.

History: Enacted in 1989.

#### **1.29 Marriage Penalty Deduction *Idaho Code 63-3022N***

Description: Idaho joint income tax returns are given an additional standard deduction amount of \$150. This deduction is not available to returns that claim itemized deductions.

History: Enacted in 1999.

## **SALES AND USE TAX DETAIL**

The following sales tax expenditures can be divided into four broad categories: 2.01 through 2.21 cover sales tax expenditures that are related to the specific uses of goods and services; 2.22 through 2.34 cover sales tax expenditures that are related to specific goods; 2.35 through 2.48 cover sales tax expenditures that are related to specific services; and 2.49 through 2.71 cover sales tax expenditures that are related to specific entities that receive exemptions on either all or part of the purchases or sales they make.

The listing for exempt services requires a special note. While a variety of classification systems are possible, the classification used here follows the structure of the Standard Industrial Classification (SIC) Manual, Executive Office of the President, Office of Management and Budget. This classification system was chosen because it is the basis for reporting a considerable variety of economic data, including that used for estimating the revenue impact associated with the various services delineated.

The SIC coding system is based on the primary activity of the establishment being coded. For example, one of the activities included under the major group heading Personal Services is BarberShops and Beauty Salons. The primary function of these establishments is the performance of haircuts and hair styling, both personal services that are presently exempt from sales tax. However, such establishments will also typically engage in retailing hair care products, transactions that are taxable. Thus, the receipts of a service establishment (such as a barbershop) can contain both exempt and taxable components. This is taken into consideration in the estimates of fiscal impact contained herein.

Another feature of the services classification used in this document relates to the classification of types of services vs. classification of industrial categories. SIC categories include major groupings for Automotive Repair and Miscellaneous Repair Services. Miscellaneous Repair Services includes repairs to televisions, stereos, appliances, tools, watches, jewelry, furniture, and most other tangible property. These two major groups cover the bulk of all "repair services." However, garment repair and shoe repair are included in the major group Personal Services. Also, computer repair is contained in the major group Business Services.

For these reasons, care must be taken in moving from this classification of services (based on SIC definitions) and any other classification of services (based on broader conceptual notions, such as repairs to tangible personal property).

### **2.01 Production Exemption - Equipment *Idaho Code 63-3622D; 63-3622JJ***

Description: This feature of the production exemption exempts equipment used to produce a taxable product. Production activities covered by this exemption are limited to manufacturing, processing, fabricating, logging, farming, and mining. The equipment must be primarily and directly used in the production activity to qualify. Also, the claiming entity must be primarily engaged in a qualifying activity for its equipment to qualify. The only exception to this is logging, where any logging equipment qualifies.

Certain specific exclusions from the production exemption exist. They include: hand tools with a unit purchase price of \$100 or less; equipment that is used in activities other than the actual production activity; equipment used in research and development; equipment used in transportation, including motor vehicles and aircraft that are required to be licensed by any state; equipment used to make repairs; any tangible personal property that is or is intended to become a component of real property;

recreational vehicles; equipment used to produce exempted gas, electricity, water, heating materials, literature, or liquor.

**History:** This exemption was originally enacted in 1965 as 63-3622D. In 1987, custom farmers were added to the exemption by amending 63-3603, definition of farming. In 1989, 63-3605A was added to include contract loggers in the production exemption. In 1990, logging was moved to a separate section and expanded to include persons who are not primarily engaged in logging. It was amended in 1991 in response to the Haener decision (Idaho Supreme Court) by adopting the integrated plant doctrine, exempting equipment used to fabricate or install production equipment, and adding safety equipment.

## **2.02 Production Exemption - Supplies *Idaho Code 63-3622D, 63-3622JJ***

**Description:** This feature of the production exemption exempts supplies used in the process of producing a product for resale. Production activities covered by this exemption are limited to manufacturing, processing, fabricating, farming, logging, and mining. The supplies must be primarily and directly used in the production activity to qualify. Also, the claiming entity must be primarily engaged in a qualifying activity for its production supplies to qualify. The only exception to this is logging, where any logging supplies qualify.

Certain specific inclusions to the production exemption for supplies exist. They include: repair parts, lubricants, hydraulic oil, coolants, chemicals, catalysts, safety supplies (except for logging), and, in the dairy industry, disinfectants used to clean cow udders or to clean pipes, vats, or other milking equipment. Fuel used in logging trucks is also exempt.

Certain specific exclusions from the production exemption for supplies exist. They include: supplies that are used in activities other than the actual manufacturing, mining, farming, or logging process; supplies used in research or development; supplies used in transportation activities; repair supplies, other than parts for production equipment; any tangible personal property that is or is intended to become a component of real property; supplies used to produce exempted gas, electricity, water, heating materials, literature, or liquor.

**History:** This exemption was originally enacted in 1965 as 63-3622(d); custom farmers were added to the production exemption in 1987 by amending 63-3603, definition of farming; contract loggers were added in 1989 by adding 63-3605A. In 1990, logging was moved to a separate section and expanded to allow the exemption to apply to persons who are not primarily engaged in logging. Amended in 1991 in response to the Haener decision (Idaho Supreme Court) by adopting the integrated plant doctrine, exempting supplies used to fabricate or install production equipment, and adding safety supplies (except for logging). Amended in 1996 to add all fuel used in logging trucks.

## **2.03 Irrigation Equipment and Supplies *Idaho Code 63-3622W***

**Description:** Exempts agricultural irrigation equipment and supplies, even if attached to real property, and even if purchased by a contractor for an agricultural irrigation project.

**History:** Originally enacted in 1975 as 63-3622(f).



#### **2.04 Pollution Control Equipment *Idaho Code 63-3622X***

Description: Exempts equipment required by regulatory agencies for air or water pollution control.

History: Originally enacted in 1977 as 63-3622(e). Amended in 1997 to add certain dry-cleaning equipment.

#### **2.05 Broadcast Equipment and Supplies *Idaho Code 63-3622S***

Description: Provides an exemption for equipment and supplies used to produce and broadcast radio and television programs.

History: It was originally enacted in 1975 as 63-3622(w) and was amended in 1987 to add aircraft to the exclusions from the exemption.

#### **2.06 Publishing Equipment and Supplies *Idaho Code 63-3622T***

Description: Provides an exemption for equipment and supplies used to publish advertising type newspapers that are sold or given away to the public, as long as the paper contains at least 10% editorial comment and advertising revenue is the publisher's primary source of income.

History: This exemption was originally enacted in 1979 as 63-3622(x). The only amendment in 1987 to this exemption was to add aircraft to exclusions from the exemption.

#### **2.07 Commercial Aircraft *Idaho Code 63-3622GG***

Description: Exempts aircraft purchased for commercial transport of passengers or freight.

History: Enacted in 1988. Amended in 1994 to add any aircraft that are for use outside Idaho.

#### **2.08 Railroad Rolling Stock and Remanufacturing *Idaho Code 63-3622CC; 63-3622DD***

Description: Provides an exemption for railroad rolling stock and for parts, equipment, and supplies used in the process of remanufacturing railroad rolling stock, whether or not the rolling stock is for resale. Rolling stock must have been used in interstate commerce at least three months prior to rebuild to qualify.

History: Enacted in 1986.

#### **2.09 Interstate Trucks *Idaho Code 63-3622R***

Description: Exempts trucks weighing over 26,000 pounds that are registered under the international registration plan (or similar prorata system) and trailers that are used in a fleet operating in interstate commerce. Provides a recapture of sales tax on vehicles that are part of a fleet that are not used at least 10% outside Idaho during the calendar year.

History: Enacted in 1989.

#### **2.10 Out-of-State Contracts *Idaho Code 63-3622B***

Description: Exempts goods purchased by contractors to install into real property in nontaxing states.

History: Originally enacted in 1965 as 63-3622(b), it was amended in 1993 to extend to non-Idaho contractors.

### **2.11 Trade-in Value *Idaho Code 63-3613(b)2***

Description: Excludes from the taxable sales price any amounts allowed for merchandise traded in on other like goods.

History: Enacted in 1965. Amended in 1990 to include trade-downs and barterers.

### **2.12 Sale or Lease of Businesses or Business Assets *Idaho Code 63-3622K(b)(2-5)***

Description: Exempts sales of otherwise taxable merchandise, equipment, and supplies in cases where the entire business operation is undergoing transfer of ownership and the business itself will continue its operations. It also exempts sales of businesses that amount to change in the form of business ownership. It also exempts sales and leases of capital assets between closely related businesses, but only if the sales tax has previously been paid on the capital asset.

History: Originally enacted as 63-3622(l), it was amended in 1967 to add bulk sales and change in form of doing business by adopting a new definition section 63-3612A in 1967. Section 63-3612A was repealed and moved to 63-3622K in 1988, then amended in 1990 to add related business transfers and sales. Amended in 1996 to add leases of assets among family-owned businesses.

### **2.13 Food Stamps/WIC *Idaho Code 63-3622EE; 63-3622FF***

Description: Exempts goods purchased with WIC checks and federal food stamps.

History: Mandated in 1987 by the federal government.

### **2.14 Motor Vehicles Used Outside of Idaho *Idaho Code 63-3622R***

Description: Exempts vehicles under 26,000 pounds bought in Idaho for use outside Idaho. It also applies to trailers. (See 2.09 Interstate Trucks for vehicles over 26,000 pounds and trailers used in interstate commerce.)

History: Originally enacted as 63-3622(q) in 1965, it exempted vehicles sold in Idaho for use out-of-state. It was amended in 1989 to add weight limit.

### **2.15 Common Carrier Purchases and Out-of-State Sales *Idaho Code 63-3622Q, 63-3622P***

Description: Exempts goods delivered to buyers outside Idaho (63-3622Q) and in-state purchases by common carriers for use outside Idaho if transported out of Idaho under a bill of lading (63-3622P).

History: Originally enacted as 63-3622(p) and 63-3622(o) in 1965.

### **2.16 Donations of Real Property to Idaho Government *Idaho Code 63-3621(l)***

Description: Allows an exemption from use tax for goods that are donated to either the State of Idaho or to a nonprofit listed in 63-3622O, where the goods are incorporated into real property.

History: Enacted in 1991.

### **2.17 Incidental Sales of Tangible Personal Property *Idaho Code 63-3609***

Description: Exempts goods sold incidentally when selling real property, such as a stove and refrigerator included with a home.

History: Enacted in 1985.

### **2.18 Lodging, Eating, and Drinking Places *Idaho Code 63-3612***

Description: Allows these industries an exemption for nondepreciable goods that are consumed by customers, such as guest hand soap provided in a motel room.

History: Enacted in 1988.

### **2.19 School Lunches and Senior Citizen Meals *Idaho Code 63-3622J***

Description: Exempts federal meals programs for youth and elderly.

History: School Lunch programs were exempted in 1965 as 63-3622(k). Amended in 1974 to add sale of meals to aging persons under the Older Americans Act Program.

### **2.20 Drivers Education Automobiles *Idaho Code 63-3622R(d)***

Description: Exempts the value of motor vehicles that are temporarily donated to drivers education programs.

History: Enacted in 1995.

### **2.21 Ski Lifts and Snowgrooming Equipment *Idaho Code 63-3622Y***

Description: Exempts the lifts, snowgroomers, and snowmaking equipment used by the owner of a ski area.

History: Enacted in 1995.

### **2.21a Clean Rooms *Idaho Code 63-3622NN***

Description: Exempts any tangible personal property that is used in or becomes a part of a “clean room” used to manufacture semiconductors. Also includes property that is used to maintain a clean room.

History: Enacted in 1999.

### **2.22 Motor Fuels *Idaho Code 63-3622C***

Description: Exempts motor fuels subject to motor fuels tax; exempts off-road fuels loaded in Idaho and used outside Idaho.

History: Originally enacted in 1965 as 63-3622(c). Exempted on road use of motor fuels; amended in 1986 to exempt locomotive fuels unless loaded and burned off in Idaho.

### **2.23 Heating Materials *Idaho Code 63-3622G***

Description: Exempts wood, coal, gas, and petroleum products used as a source of heat for either industrial or domestic purposes.

History: Originally enacted in 1965 as 63-3622(g).

#### **2.24 Utility Sales *Idaho Code 63-3622F***

Description: Exempts sales of natural gas, electricity, and water delivered to consumers by means of wires, pipes, mains, or similar systems.

History: Originally enacted in 1965 as 63-3622(f).

#### **2.25 Used Mobile Homes *Idaho Code 63-3622R***

Description: Exempts the sale of used manufactured homes from the sales tax.

History: Original 63-3622(q) amended in 1976 to exempt used manufactured homes.

#### **2.26 Vending Machines and Amusement Devices *Idaho Code 63-3622II***

Description: Exempts coin-operated machines that vend a taxable product or service.

History: Enacted in 1990.

#### **2.27 Prescriptions and Durable Medical Equipment *Idaho Code 63-3622N***

Description: Exempts most prescription medical items.

History: This exemption was originally enacted as 63-3622(q) in 1967 to exempt prescription drugs. It was amended in 1971 to add prescription oxygen and amended in 1976 to add prosthetics, limbs, wheelchairs, hearing aides, and crutches. It was amended in 1990 to add durable medical equipment, and numerous other prescription items. Amended in 1992 to clarify that dentures and other orthodontic appliances are taxable when purchased by the practitioner. Amended in 1998 to reverse the 1992 amendment, and provide that dental prostheses and other orthodontic appliances, except fillings, are exempt.

#### **2.28 Funeral Caskets *Idaho Code 63-3622U***

Description: Exempts goods sold in conjunction with a funeral.

History: Originally enacted in 1977 as 63-3622(y).

#### **2.29 Containers *Idaho Code 63-3622E***

Description: Exempts containers that are part of goods for sale, including returnable containers.

History: Originally enacted in 1965 as 63-3622(e).

#### **2.30 Nonprofit Literature *Idaho Code 63-3622I***

Description: Exempts literature published and sold by 501(c)(3) nonprofit organizations.

History: Originally enacted in 1965 as 63-3622(j), exempting only religious literature. Amended in 1989 to include literature of all 501(c)(3) nonprofit organizations in response to the U.S. Supreme Court ruling in *Texas Monthly vs. Bullock*. Amended in 1999 to include alternative forms, including audio-visual, magnetic, optical, and other machine-readable media.

### **2.31 Official Documents *Idaho Code 63-3622AA***

Description: Exempts sales of documents when the fee for the document is set by *Idaho Code*.

History: Originally enacted in 1984.

### **2.32 Precious Metal Bullion *Idaho Code 63-3622V***

Description: Exempts sales of precious metal bullion and coins.

History: Originally enacted in 1982 as 63-3622(z).

### **2.33 New Manufactured Homes or Modular Buildings *Idaho Code 63-3613(c)***

Description: Excludes 45% of the sales price of new manufactured homes and modular buildings from the taxable sales price.

History: Originally exempted 60% of the sales price of mobile homes when enacted in 1965. It was amended in 1976 to exempt 45% and add modular buildings (which were previously treated as real property improvements and taxed on materials as built).

### **2.34 Telecommunications Equipment *Idaho Code 63-3613(b), 63-3621(a)***

Description: Exempts from taxation the amount of discount or price reduction that is offered as an inducement to commence or continue telecommunications service.

History: Enacted in 1996.

### **2.35 Construction *Idaho Code 63-3609***

Description: Sales tax is paid on the cost of materials that are used in construction projects, but the labor component is generally not taxed. Mobile and manufactured homes are taxed on 55% of the sales price [*Idaho Code 63-3613(c)*] in order to give them equivalent treatment. SIC major groups 15, 16, and 17 are included in this category.

History: The original language of the sales tax defined a "sale" as any transaction involving the exchange of tangible personal property for a consideration (*Idaho Code 63-3612*). In the section of the Sales Tax Act defining a retail sale it is stated that "all persons engaged in constructing, altering, repairing or improving real estate are consumers of the material used by them; all sales to or use by such persons of tangible personal property are taxable whether or not such persons intend resale of the improved property (*Idaho Code 63-3609*)."

### **2.36 Agricultural and Industrial Services**

Description: This category of services includes agricultural soil preparation, planting, cultivating, and harvesting; veterinary services; pet boarding and grooming; farm management; lawn and garden services; forestry service; and mining services. SIC major groups 01 through 14 are included in this category.

History: Originally excluded from definition of sales tax base.

### **2.37 Transportation Services *Idaho Code 63-3613(b)7***

Description: Most charges for transportation of freight and passengers are exempt from the sales tax (*Idaho Code* 63-3613(b)7). Exceptions (i.e., taxable transportation charges) include transportation of manufactured homes by the dealer (*Idaho Code* 63-3613(b)7), the cost of transportation prior to the sale (*Idaho Code* 63-3613(a)3), and receipts from intrastate transportation of passengers or freight by air charter [*Idaho Code* 63-3612(j)]. SIC major groups 40 through 47 are included in this category.

History: Transportation services have generally been exempt since the enactment of sales tax in 1965. The exclusion for transportation of manufactured homes was added in 1986. Air charter transportation of freight and passengers was made taxable in 1988.

### **2.38 Communications**

Description: Subscriptions or charges for one-way and two-way transmissions of signals containing information (sound, images, data, etc.) are not taxed. This exemption consists mostly of local and long-distance telephone service and cable television. SIC major group 48 is included in this category.

History: Communications have been exempt since the enactment of the sales tax in 1965.

### **2.39 Repairs *Idaho Code* 63-3613(b)4**

Description: The labor charges associated with repairing or installing tangible personal property are generally not taxable as long as they are separately stated on the bill. SIC major groups 75 and 76 are included in this category.

History: Exempt since enactment of the sales tax in 1965.

### **2.40 Professional Services**

Description: Legal, accounting, engineering, architectural, R&D, public relations, and management services fall within this category. SIC major groups 81 and 87 are included in this category.

History: Exempt since enactment of the sales tax in 1965.

### **2.41 Business Services**

Description: Advertising, credit agencies, building maintenance, personnel agencies, computer programming and processing, computer repair, and security agencies are some of the major elements of this category. SIC major group 73 is this category.

History: Exempt since enactment of the sales tax in 1965.

### **2.42 Personal Services**

Description: Laundry and dry cleaning, barbers and beauticians, shoe repair, funeral services, tax return preparation, massage parlors, and escort services are among the elements of the personal services major group. SIC major group 72 is this category.

History: Exempt since enactment of the sales tax in 1965.

#### **2.43 Health and Medical Services**

Description: Doctors, dentists, hospitals, and nursing home services are the principal elements of this category. SIC major group 80 is this category.

History: Exempt since enactment of the sales tax in 1965.

#### **2.44 Social Services**

Description: Adult and child day care, counseling, job training, residential care, and adoption services are some of the principal elements of this category. SIC major group 83 is this category.

History: Exempt since enactment of the sales tax in 1965.

#### **2.45 Educational Services**

Description: Elementary and secondary schools, colleges and universities, libraries, vocational schools, driving instruction, flight schools, and modeling schools are among the establishments covered by this category. SIC major group 82 is this category.

History: Exempt since enactment of the sales tax in 1965.

#### **2.46 Lottery Tickets and Pari-Mutuel Betting *Idaho Code 67-7439***

Description: Exempts the sale and purchase of lottery tickets and pari-mutuel betting from the sales tax. Also exempts from sales tax any equipment used in lottery operations.

History: Enacted in 1988.

#### **2.47 Media Measurement Services *Idaho Code 63-3622LL***

Description: Exempts the sale and purchase of any television, radio, newspaper, or other media measurement service.

History: Enacted in 1997.

#### **2.48 Miscellaneous Services**

Description: This includes all service industries not classified elsewhere. Includes freelance authors, lecturers, radio commentators, songwriters, weather forecasters, artists, consulting scientists, inventors, actuaries, and newspaper columnist. SIC major group 89 is in this category. This category also includes SIC industry group 495, sanitary services. Sewer and trash services are included in this industry group.

History: Exempt since enactment of the sales tax in 1965.

#### **2.49 Educational Institution Purchases *Idaho Code 63-3622O(1)(a) and 33-5204***

Description: Exempts all purchases by nonprofit colleges, universities, primary and secondary schools. Excludes from exemption schools that primarily teach business, dancing,

gymnastics, dramatics, music, cosmetology, writing, exercise, and "other special accomplishments."

History: This was originally enacted as 63-3622(s) in 1967 and amended in 1990 to add non-resident schools with Idaho facilities. It was amended in 1993 to add all non-resident schools not otherwise excluded. 33-5204 was added in 1999 to explicitly add charter schools to this exemption.

#### **2.50 Hospital Purchases *Idaho Code 63-3622O(1)(a)***

Description: Exempts all purchases by nonprofit hospitals that are licensed by the state for the care of ill persons. Excludes from exemption nursing homes or "similar institutions."

History: Originally enacted as 63-3622(s) in 1967.

#### **2.51 Health Entity Purchases *Idaho Code 63-3622O(1)(a)***

Description: Exempts all purchases by certain specified "health related entities." The list consists of: the Idaho Cystic Fibrosis Foundation, Idaho Epilepsy League, Idaho Lung Association, March of Dimes, American Cancer Society, Mental Health Association, The ARC, The Children's Home Society of Idaho, Idaho Heart Association, Idaho Ronald McDonald House, United Cerebral Palsy, Arthritis Foundation, Muscular Dystrophy Foundation, National Multiple Sclerosis Society, Rocky Mountain Kidney Association, American Diabetes Association, Easter Seals, Idaho Community Action Agencies, Idaho Primary Care Association and its community health care centers, and Idaho Special Olympics. It also includes the local or regional chapters or divisions of these entities.

History: Amended in 1980 to add first list of health related entities. Amended in 1986, 1990 and 1999 to expand the list.

#### **2.52 Canal Company Purchases *Idaho Code 63-3622O(1)(a)***

Description: Exempts all purchases by canal companies. Canal companies are defined as nonprofit corporations whose sole purpose is operating and maintaining dams, reservoirs, canals, lateral and drainage ditches, pumps, and pumping plants.

History: Originally enacted in 1967 as 63-3622(s).

#### **2.53 Forest Protective Association Purchases *Idaho Code 63-3622O(1)(a)***

Description: Exempts all purchases by forest protective associations. Forest protective associations are associations that detect, prevent, and suppress forest or range fires. They include only those associations that contract with the State of Idaho pursuant to Chapter 1, Title 38, *Idaho Code*.

History: Enacted in 1979.

#### **2.54 Food Bank Purchases *Idaho Code 63-3622O(1)(b, c)***

Description: Exempts all purchases by food banks or soup kitchens. Includes the Idaho Food Bank Warehouse, Inc. by specific reference, and also includes any other nonprofit



corporation or association "one of whose" primary purposes is the furnishing of food or food products to others without charge.

History: Enacted in 1991. Amended in 1998 to add "growing" to the list of activities that qualify for this exemption.

**2.55 Nonsale Clothier Purchases *Idaho Code 63-3622O(1)(d)***

Description: Exempts donations or sales of clothes to nonsale clothiers. Nonsale clothiers are defined as any nonprofit corporation or association "one of whose" primary purposes is the furnishing of clothes to others without charge.

History: Enacted in 1992.

**2.56 Centers for Independent Living *Idaho Code 63-3622O(1)(e)***

Description: Exempts sales to or purchases by centers for independent living. Centers for independent living are defined as private, non-profit, non-residential organizations where at least 51% of the governing board are individuals with disabilities.

History: Enacted in 1997.

**2.57 State of Idaho and Local Government Purchases *Idaho Code 63-3622O(1)(f)***

Description: Exempts Idaho governmental agencies from paying sales tax on purchases.

History: Enacted in 1997; exemption was done by Tax Commission regulation from enactment of the sales tax to 1997.

**2.58 Ronald McDonald House Rooms *Idaho Code 63-3622O(5)***

Description: This exempts the renting of a place to sleep by the Ronald McDonald House.

History: Enacted in 1997.

**2.59 INEEL R&D Purchases *Idaho Code 63-3622BB***

Description: Exempts goods used for research and development at the Idaho National Engineering and Environmental Laboratory (INEEL).

History: It was originally enacted in 1967 and exempted all federal research and development and nuclear fuel reprocessing under 63-3615. It was amended in 1969 to limit to INEEL only. It was recodified in 1985 as 63-3622BB and removed nuclear fuel reprocessing from the exemption.

**2.60 Motor Vehicle Purchases by Family Members *Idaho Code 63-3622K(c)***

Description: Exempts sales of motor vehicles between family members related within the second degree of consanguinity.

History: Section 63-3612A was amended in 1980 to add the sale of motor vehicles to family members. It was repealed and moved to 63-3622K in 1988.

**2.61 Sales by 4-H and FFA Clubs at Fairs *Idaho Code 63-3622K(b)7***

Description: Exempts sales of animals by any 4-H club or FFA club held in conjunction with a fair or the Western Idaho Spring Lamb Sale.

History: Enacted in 1979 by amending 63-3612A. Moved to 63-3622K in 1988.

**2.62 Sales by Non-Retailers (Yard and Occasional Sales) *Idaho Code 63-3622K(b)(1,6); 63-3622H***

Description: Exempts sales of items by individuals who are not retailers and who are not behaving as a retailer. Covers transactions such as occasional yard sales, occasional classified ad sales, etc. Motor vehicle sales are specifically excluded from this exemption.

History: Originally enacted as 63-3622(j, l) in 1965.

**2.63 Sales by Indian Tribes on Reservations *Idaho Code 63-3622Z***

Description: Exempts sales by Indian Tribal Enterprises from sales and use tax. This exemption allows a tribal enterprise to make sales to both Indians and non-Indians without collecting sales tax. Further, it provides that no use tax applies to the purchase even if the non-Indian removes the goods from the reservation.

History: Originally enacted as 63-3622(aa) in 1984; exempted sales of tangible personal property by tribes within reservation boundaries; amended in 1987 to include sales of services and to define reservation.

**2.64 Sales of Meals by Churches to Members *Idaho Code 63-3622J***

Description: Exempts meals sold at church functions to members of the congregation.

History: Originally enacted as 63-3622(k) in 1965.

**2.65 Sales by Outfitters and Guides *Idaho Code 63-3613(b)9***

Description: Allows outfitters to exclude from the taxable amount charged to their customers the federal fees imposed on outfitters for the right to use recreational sites.

History: Enacted in 1990. Amended in 1994 to eliminate the provision that the federal fees must be for the purpose of managing the land or water upon which the outfitting occurs.

**2.66 Sales Through Vending Machines *Idaho Code 63-3613(e)***

Description: Allows retailers selling products through vending machines for \$1.00 or less to pay tax on 117% of their acquisition cost of the products rather than on the retail sales price.

History: Enacted in 1977.

**2.67 Auto Manufacturer Rebates *Idaho Code 63-3613(b)8***

Description: Allows dealers to deduct the amount of a rebate given to the buyer, by the motor vehicle manufacturer, from the taxable sales price of the vehicle.

History: Enacted in 1990.

**2.68 Incidental Sales of Churches *Idaho Code 63-3622KK***

Description: Exempts sales by churches that do not regularly compete with private enterprise.

History: Enacted in 1990.

**2.69 Federal Excise Tax Imposed at Retail Level *Idaho Code 63-3613(b)5***

Description: Excludes retail level federal excise taxes from the taxable sales price.

History: Originally enacted in 1965.

**2.70 Federal Constitutional Prohibitions *Idaho Code 63-3622A***

Description: State cannot tax goods when prohibited by the U.S. Constitution.

History: Originally enacted in 1965 as 63-3622(a).

**2.71 Other Federal and State Statutory Prohibitions**

Description: Exemptions granted from state sales tax by other state statutes and by federal statutes, such as the American Red Cross, Amtrak, Credit Unions, Emergency 911, Federal Intermediate Credit Banks, Federal Land Banks, Foreign Diplomats, Idaho Health Facility Authority, Idaho Housing Authority, Idaho Life and Health Insurance Guaranty Association, Idaho Onion Commission, Idaho Potato Commission, Idaho Turnpike Authority, Idaho Wheat Commission, Jr. College Dormitory Housing Authority, Production Credit Association, and Regional Airport Authority.

History: Varies by statute.

## CROSS REFERENCE TABLE

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	Title	Idaho Code
1.01	Investment Tax Credit	63-3029B
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1.04	Youth & Rehabilitation Credit	63-3029C
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1.07	Recycling Equipment Credit	63-3029D
1.08	Technological Equipment Deduction	63-3022J
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1.11	Insulation Deduction	63-3022B
1.12	Workers' Comp. Premium Deduction	63-3022(p)
1.13	Child Care Deduction	63-3022D
1.14	Personal Care Services Deduction	63-3022(l) - <i>Repealed</i>
1.15	Medical Assistance Account Deduction	63-3022(l) - <i>Repealed</i>
1.16	Elderly & Developmentally Disabled Deduction	63-3022E
1.17	Adoption Expense Deduction	63-3022I
1.18	Medical Savings Account Deduction	63-3022 41-53xx
1.19	Conservation and Weatherization Deduction	63-3022F - <i>Repealed</i>
1.20	Riparian Land Improvements	63-3024B
1.21	Capital Gains Exclusion	63-3022H
1.22	Government Interest Exclusion	63-3022(a)
1.23	Social Security Exclusion	63-3022(o)
1.24	Railroad Retirement Exclusion	63-3022(o)
1.25	Retirement Benefit Exclusion	63-3022A
1.26	Idaho Lottery Winnings Exclusion	67-7439
1.27	Indian Earnings on Reservation Exclusion	Idaho Income Tax Regulation 30
1.28	World War II Reparations Exclusion	63-3022G
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2.01	Production Exemption - Equipment	63-3622D 63-3622JJ
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2.06	Publishing Equipment and Supplies	63-3622T
2.07	Commercial Aircraft	63-3622GG
2.08	Railroad Rolling Stock & Remanufacturing	63-3622CC 63-3622DD
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2.11	Trade-in Value	63-3613(b)2
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2.13	Food Stamps/WIC	63-3622EE

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2.14	Motor Vehicles Used Outside of Idaho	63-3622R
2.15	Common Carrier Purchases & Out-of-State Sales	63-3622Q 63-3622P
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2.17	Incidental Sales of Tangible Personal Property	63-3609
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2.71	Other Federal & State Statutory Prohibitions	various

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41-53xx	1.18	Medical Savings Account Deduction
63-3022(a)	1.22	Government Interest Exclusion
63-3022(l) - <i>Repealed</i>	1.14	Personal Care Services Deduction
	1.15	Medical Assistance Account Deduction
63-3022(m)	1.09	Alcohol/Gasohol Production Deduction
63-3022(o)	1.23	Social Security Exclusion
	1.24	Railroad Retirement Exclusion
63-3022(p)	1.12	Workers' Comp. Premium Deduction
63-3022(r)-(t)	1.18	Medical Savings Account Deduction
63-3022A	1.25	Retirement Benefit Exclusion
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63-3022C	1.10	Alternative Energy Device Deduction
63-3022D	1.13	Child Care Deduction
63-3022E	1.16	Elderly & Developmentally Disabled Deduction
63-3022F - <i>Repealed</i>	1.19	Conservation and Weatherization
63-3022G	1.28	World War II Reparations Exclusion
63-3022H	1.21	Capital Gains Exclusion
63-3022I	1.17	Adoption Expense Deduction
63-3022J	1.08	Technological Equipment Deduction
63-3022J	1.08	Technological Equipment Deduction
63-3022N	1.29	Marriage Penalty Deduction
63-3024A	1.06	Grocery Credit
63-3024B	1.20	Riparian Land Improvement
63-3025D	1.03	Elderly and Developmentally Disabled Dependent Credit
63-3029	1.02	Other States Tax Credit
63-3029A	1.05	Schools, Libraries, and Museums Credit
63-3029B	1.01	Investment Tax Credit
63-3029C	1.04	Youth & Rehabilitation Credit
63-3029D	1.07	Recycling Equipment Credit
63-3609	2.17	Incidental Sales of Tangible Personal Property
	2.35	Construction
63-3612	2.18	Lodging, Eating, & Drinking Places
63-3613(b)2	2.11	Trade-in Value
63-3613(b)4	2.39	Repairs
63-3613(b)5	2.69	Federal Excise Tax Imposed at Retail Level
63-3613(b)7	2.37	Transportation Services
63-3613(b)8	2.67	Auto Manufacturer Rebates
63-3613(b)9	2.65	Sales by Outfitters & Guides
63-3613(c)	2.33	New Manufactured Homes or Modular Buildings
63-3613(e)	2.66	Sales Through Vending Machines
63-3621	2.16	Donations of Real Property to Idaho Government
63-3622A	2.70	Federal Constitutional Prohibitions
63-3622AA	2.31	Official Documents
63-3622B	2.10	Out-of-State Contracts
63-3622BB	2.59	INEEL R&D Purchases
63-3622C	2.22	Motor Fuels

<b>Idaho Code</b>		<b>Title</b>
63-3622CC	2.08	Railroad Rolling Stock & Remanufacturing
63-3622D	2.01	Production Exemption - Equipment
	2.02	Production Exemption - Supplies
63-3622DD	2.08	Railroad Rolling Stock & Remanufacturing
63-3622E	2.29	Containers
63-3622EE	2.13	Food Stamps/WIC
63-3622F	2.24	Utility Sales
63-3622FF	2.13	Food Stamps/WIC
63-3622G	2.23	Heating Materials
63-3622GG	2.07	Commercial Aircraft
63-3622H	2.62	Sales by Non-Retailers (Yard & Occasional Sales)
63-3622I	2.30	Nonprofit Literature
63-3622II	2.26	Vending Machines & Amusement Devices
63-3622J	2.19	School Lunches & Senior Citizens Meals
	2.64	Sales of Meals by Churches to Members
63-3622JJ	2.01	Production Exemption - Equipment
63-3622K(b)(1,6)	2.62	Sales by Non-Retailers (Yard & Occasional Sales)
63-3622K(b)(2-5)	2.12	Sale or Lease of Businesses or Business Assets
63-3622K(b)7	2.61	Sales by 4-H & FFA Clubs at Fairs
63-3622K(c)	2.60	Motor Vehicle Purchases by Family Members
63-3622KK	2.68	Incidental Sales of Churches
63-3622LL	2.47	Media Measurement Services
63-3622N	2.27	Prescriptions and Durable Medical Equipment
63-3622NN	2.21a	Clean Rooms
63-3622O(1)(a)	2.49	Educational Institution Purchases
63-3622O(1)(a)	2.50	Hospital Purchases
63-3622O(1)(a)	2.51	Health Entity Purchases
63-3622O(1)(a)	2.52	Canal Company Purchases
63-3622O(1)(a)	2.53	Forest Protective Association Purchases
63-3622O(1)(b, c)	2.54	Food Bank Purchases
63-3622O(1)(d)	2.55	Nonsale Clothier Purchases
63-3622O(1)(e)	2.56	Centers for Independent Living
63-3622O(1)(f)	2.57	State of Idaho and Local Government Purchases
63-3622O(5)	2.58	Ronald McDonald House Rooms
63-3622P	2.15	Common Carrier Purchases and Out-of-State Sales
63-3622Q	2.15	Common Carrier Purchases and Out-of-State Sales
63-3622R	2.09	Interstate Trucks
	2.14	Motor Vehicles Used Outside of Idaho
	2.25	Used Mobile Homes
63-3622S	2.05	Broadcast Equipment & Supplies
63-3622T	2.06	Publishing Equipment and Supplies
63-3622U	2.28	Funeral Caskets
63-3622V	2.32	Precious Metal Bullion
63-3622W	2.03	Irrigation Equipment & Supplies
63-3622X	2.04	Pollution Control Equipment
63-3622Y	2.04	Pollution Control Equipment
63-3622Z	2.63	Sales by Indian Tribes on Reservations
67-7439	1.26	Idaho Lottery Winnings Exclusion
	2.46	Lottery Tickets and Pari-Mutuel Betting



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